



2022

TALOS ENERGY TCFD
CLIMATE RISK AND
OPPORTUNITY REPORT

Building the Energy Company of **TOMORROW**



Contents

Governance	5
Board Oversight of Climate-Related Risks and Opportunities	6
Management's Role in Assessing and Managing Climate-Related Risks and Opportunities	7
Strategy	9
Identified Climate-Related Risks	10
Identified Climate-Related Opportunities	13
Impact of Climate-Related Risks and Opportunities on Strategy and Financial Planning	16
Financial Impact, Related Risks, and Strategy Integration	17
Scenario Analysis	19
Risk Management	20
Process for Identifying and Managing Climate-Related Risks	21
Metrics & Targets	22
Targets Used to Mitigate Climate-Related Risks and Capitalize on Climate-Related Opportunities	26
Appendix A Referenced Documents	28
Appendix B Forward Looking Statement	30

Contact Us

We appreciate your interest in Talos and welcome any feedback on how we can improve our climate-related disclosures. Please direct questions and comments on this report or topics to sustainability@talosenergy.com.



A Letter from Our Chief Sustainability Officer

At Talos, we know that our stakeholders' expectations of a successful energy company are evolving. Two years ago, our Board of Directors and the executive leadership team started to strategically explore how we were going to have a meaningful impact throughout an energy transition.

Today, we are not only reducing Scope 1 greenhouse gas (GHG) emissions generated by our operations, but also developing actionable solutions to permanently store emissions that are equal to or exceeding emissions generated from our products' end uses through our carbon capture and sequestration (CCS) business. Our climate commitment is demonstrated by our continued progress in minimizing Scope 1 GHG emissions intensity, expanding and enhancing Environmental, Social, and Governance (ESG) disclosures, and collaborating with partners on how to meet decarbonization goals. We are proud to release our inaugural Task Force on Climate-related Financial Disclosures (TCFD) Report.

“Reliable, affordable energy is essential for modern life and action is needed to combat climate change. Talos is positioned to deliver on both.”

are the four principles of the TCFD. Sustainability is a journey and we have only just begun. We are committed to transparency and encourage open dialogue with our investors and stakeholders regarding the Company's climate risks and opportunities as we are **Building the Energy Company of Tomorrow.**

In today's world, we recognize the importance of strong governance, strategic alignment, risk management, and accountability through metrics and targets, which

CSO & EVP Robin Fielder

Robin Fielder is the Executive Vice President - Low Carbon Strategy and Chief Sustainability Officer, serving as the lead executive for Talos's rapidly growing CCS business and overseeing ESG initiatives.



About this Report

Talos Energy is building the energy company of tomorrow. We are a leading energy company focused on offshore oil and gas exploration and production as well as the development of future CCS opportunities in the U.S. Gulf Coast, Gulf of Mexico, and offshore Mexico.

We strive to provide safe, reliable, and responsible energy production that powers our world and delivers energy prosperity to modern life, while simultaneously applying our core skill sets to develop large-scale decarbonization projects to reduce industrial emissions.

At Talos, we consider our stakeholders to include our investors, employees, suppliers, contractors, regulators, customers, and the members of the communities in which we operate. Climate change and its impact is a relevant topic and important to all of our stakeholders across the value chain.

We are proud to present this inaugural Climate Risk and Opportunity Report describing Talos's assessment of the risks and opportunities material to our business and outlining our governance, strategy, and risk management related to climate change.

This report seeks alignment with the recommendations of the Task Force on Climate-related Financial Disclosures – both the TCFD's general disclosure guidelines as well as its specific oil and gas recommendations and the Sustainability Accounting Standards Board (SASB) standards where applicable.

2022 TALOS ENERGY TCFD CLIMATE RISK AND OPPORTUNITY REPORT

GOVERNANCE



Governance



Neal P. Goldman



Paula R. Glover



Timothy S. Duncan



John "Brad" Juneau



Charles M. Sledge



Robert M. Tichio



Donald R. Kendall, Jr.

BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

At Talos, we believe the management of climate-related risks and opportunities is core to the success of our business. Strong Board oversight, experienced executive management, and relevant organizational capabilities allow us to employ an integrated approach to better inform decisions, implement business strategies, understand impacts, and manage climate-related risks and opportunities over short-, medium-, and long-term horizons.

The Board of Directors is the highest governance body at Talos and is responsible for the oversight of Talos's strategic planning and risk management, both of which include climate-related risks and opportunities. The current Talos Energy Board of Directors is a 7-member Board with 6 independent Directors. Timothy S. Duncan serves on the Board as the President and Chief Executive Officer and Neal P. Goldman serves as the non-executive Chairman. A schedule for the quarterly review of specific climate-related risk topics by relative individual Board committees is set at the end of each year for the following year. A summary of the reviewed risks and any strategic topics are then discussed at the Board level at least each quarter.

The Talos Energy Board is comprised of four committees: Audit, Compensation, Nominating & Governance and Safety, Sustainability & Corporate Responsibility (SSCR). The SSCR Committee has been delegated the responsibility for oversight of material environmental, social, and sustainability matters, including climate-related risks and opportunities.

The SSCR Committee members meet quarterly to review the implementation and effectiveness of our programs and policies, examine emerging topics related to climate change, and discuss how we will participate in the energy transition. More information about the responsibilities of the SSCR Committee can be found in its charter.

In May of 2021, Paula Glover was elected to the Board of Directors and as the Chairperson of the SSCR Committee. She brings 25 years of experience in the energy industry focused on energy policy, regulations, and environmental issues, as well as having a long history of energy advocacy for minority communities.

Note: Data reflects Board as of January 2022.

Governance

Executive and senior management are responsible for understanding and managing the climate-related risks affecting Talos's ability to achieve our strategic and operational objectives and for keeping the Board informed about the nature of those risks and how they are being managed. We have dedicated functions at the management level for oversight of climate-related risks and opportunities, including a Chief Sustainability Officer, Director of ESG, and an interdisciplinary ESG Committee.

In December of 2021, Talos appointed a Chief Sustainability Officer (CSO), Robin Fielder, who also serves as the Executive Vice President of Low Carbon Strategy. Ms. Fielder brings over 20 years of executive leadership, commercial, and technical experience across the energy value chain, including executive level management, investor relations, corporate planning, operations, and engineering roles at multiple publicly traded upstream and midstream companies.

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

This newly created executive leadership role oversees all ESG and sustainability initiatives and reporting, including those related to climate change. Core responsibilities for this role include reporting to the Board, assessing regulatory compliance and disclosure requirements, creating a strategy to mitigate climate-related risks, capitalizing on climate-related opportunities, and ultimately remaining competitive in the long-term.

In addition to hiring a CSO, Talos hired a Director of ESG in May of 2022, Trina Engels. Ms. Engels brings over 20 years of diverse industry experience in various leadership, commercial, and strategic roles at several publicly traded upstream companies as well as consulting. This position is responsible for driving sustainability initiatives, evaluating potential and emerging ESG drivers, benchmarking ESG data, engaging with stakeholders (internal and external) on ESG-related topics and best practices, and developing digital tools for data management, carbon accounting, and stakeholder engagement.

Talos formed an internal management ESG Committee in 2021 to enhance our oversight and management of significant ESG-related efforts and initiatives, including those related to mitigating climate related risks and capitalizing on climate-related opportunities. The committee has a formal charter and is chaired by the CSO. It is comprised of representatives responsible for 10 different priorities, including Air Emissions, Business Continuity (inclusive of Cyber Security), Climate Policy Impact, Community Engagement, Diversity & Inclusion, Energy Advocacy, External ESG Ratings, Renewable Investments & Low-Carbon Solutions, Safety, and Waste Management.

The interdisciplinary ESG Committee is a critical mechanism for moving forward with our strategy. The committee is responsible for the "grassroots" development of ESG recommendations, actions, and implementation. Since its establishment, the ESG Committee has accomplished numerous objectives and helps to drive the ESG strategy, largely due to its inclusive nature, support and engaged leadership.

Governance

Outside of those functions with explicit responsibility for climate-related risks and opportunities, all members of Talos's executive and senior management teams are responsible for understanding how these risks and opportunities impact strategic and operational objectives.

Talos provides financial incentives for management and employees on ESG issues by including certain metrics in its annual bonus calculations. In 2021, annual bonus calculations were based on financial performance, health, safety & environment (HSE) metrics, Scope 1 GHG emissions reduction goals, and the achievement of key strategic initiatives. Scope 1 GHG emissions reduction accomplishments were weighted at 10% and focused on our progress towards our 2025 Scope 1 GHG emissions intensity reduction goal. An additional 10% was weighted for achieving our HSE goal related to corporate Total Recordable Incident Rate (TRIR).

When measuring the achievement of the 2021 ESG-related goals, the Compensation Committee considered the following:

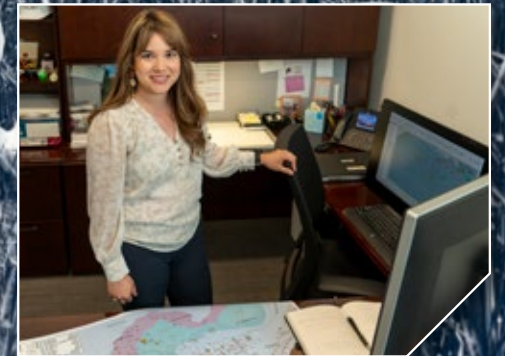
- Reduction of methane emissions by converting cold vents to non-routine flaring on key facilities
- Reduction of overall venting volumes and shutting in of facilities approaching the end of commercial life
- Implementation of Forward-Looking Infrared Radar (FLIR) programs at each of our Gulf of Mexico facilities to identify, resolve or reduce methane leaks and electrical hot spots
- Implementation of a renewable energy pilot program for the reduction of methane emissions by converting gas-driven pumps and controllers from pneumatic gas to compressed air through the use of solar and wind-powered air compressors

Additionally, the development of our Talos Low Carbon Solutions (TLCS) business, focusing on CCS, was a consideration in evaluating performance with regard to our progress on ESG and strategic initiatives towards energy transition.

ALIGNING
COMPENSATION
WITH ESG INITIATIVES



STRATEGY



Strategy

Talos recognizes that the world is facing substantial challenges in addressing the causes and effects of climate change. Our strategy is a dual approach to address the world's energy needs and contribute to a cleaner tomorrow.

We strive to provide safe, reliable, and responsible energy to our customers by supplying oil and gas from deepwater basins within the Gulf of Mexico, which ranks as one of the lowest Scope 1 GHG emissions intensity by global resource type⁽¹⁾. Our large infrastructure position provides the scale necessary to employ measures to reduce emissions on a cost effective basis and facilitates lower-cost subsea tie-back investments that have lower emissions profile than construction of a new platform which further reduces our future GHG emissions intensity. We are simultaneously applying our core skill sets to develop large-scale decarbonization projects to permanently store industrial emissions along the Gulf Coast Region and help lower the overall level of Scope 1 GHG emissions in the atmosphere. We are committed to ensuring the long-term success of our company by integrating risks and opportunities related to climate change and the global energy transition into our business strategy.

Our approach focuses on assessing potential positive and negative impacts, understanding the risk which climate change poses to our Company, and discovering how we can lessen our direct impact on climate change by improving operations.

We realize that energy transition will take decades. Through continual process improvement and strategic planning, we look to strengthen and broaden our efforts in this area by identifying climate-related risks and opportunities and acting accordingly.

Talos assesses risks, including climate risks, based on three distinct time horizons (short-, medium-, and long-term).

Adhering to TCFD guidance, we divide climate risks into two main categories: physical and transition risks. Physical risks are risks associated with the impacts of climate change such as weather-related events like floods, hurricanes, or wildfires. These risks can further be broken down into acute risks, such as extreme weather events, and chronic risks that are more gradual such as rising sea levels. Transition risks are those that may arise as the world transitions to a lower carbon economy. Technology, legal, and policy changes can all present a level of risk to the Company. To understand how these risks can affect our Company, we actively monitor climate risks alongside other corporate risks evaluated within our Enterprise Risk Management (ERM) framework.

IDENTIFIED CLIMATE-RELATED RISKS

⁽¹⁾ Note: GHG Intensity estimates per Wood Mackenzie The Edge.



Strategy

PHYSICAL RISKS

Type	Impact	Mitigation Strategy
ACUTE Extreme weather events like storms, droughts and floods	The potential impacts associated with acute physical risks include increased operating costs, delayed or canceled drilling, production downtime, and/or disruption to the supply chain.	Mitigation efforts include strenuous design criteria for sustained hurricane force winds and high wave frequency on our offshore facilities, robust safety protocols through Talos's Safety and Environmental System (SEMS), business continuity and incident management plans, as well as maintaining adequate property insurance coverage.
CHRONIC Shifts in temperature and precipitation patterns or rising sea levels	<p>Our facilities are located offshore in a warm, wet, and humid environment that are prone to tropical storms and hurricanes. An increase in precipitation and higher temperatures over a long time could lead to additional wear and tear on equipment</p> <p>The resulting impacts potentially include increased maintenance and insurance costs and reduced useful life of the equipment.</p> <p>Rising sea levels are not anticipated to impact our facilities.</p>	<p>Mitigation efforts include strenuous design criteria for our offshore facilities, robust safety protocols, investment in new technologies, equipment inspection & maintenance programs and comprehensive insurance coverage.</p> <p>Offshore facilities have a design life of 20-30 years. The National Oceanic and Atmospheric Administration (NOAA) estimates the U.S. coastline could see up to a foot of sea level rise by 2050, which is well within our existing facilities design tolerances.</p>



Strategy

TRANSITION RISKS

Type	Impact	Mitigation Strategy
POLICY AND REGULATION RISK	The impact associated with policy or regulatory changes will depend on the nature and timing of policy changes. For example, current and/or proposed regulations designed to quantify and/or limit Scope 1 GHG emissions may result in increased operational costs. Additionally, increased permitting requirements on federal lands or waters may impact our ability to develop our assets. Any such legislation or regulatory programs could also increase the cost of consuming and thereby reduce demand for oil and natural gas we produce.	Mitigation efforts include carefully monitoring new and proposed legislation and regulations related to our business, engaging with policymakers and regulators, identifying and investing in Scope 1 GHG emissions reduction technology and operations, reducing our Scope 1 GHG emissions intensity, and enhancing transparency through ESG disclosures.
MARKET RISKS	Market transitioning towards a decarbonized future could affect oil demand. There is the possibility of stigmatization of hydrocarbon-based fossil fuels, technological advances in renewable energy supplies and/or regulatory impacts from the global implementation of the Paris Climate Accords, all of which could result in the risk of stranded assets due to reduced demand for oil and gas.	Mitigation efforts include maintaining a strong leverage position, balance sheet, liquidity and a robust hedging program, identifying and implementing new technology to improve efficiency, and our initiatives to utilize our core competencies to source, evaluate, and develop carbon capture and storage project opportunities aimed at reducing industrial CO ₂ emissions.
REPUTATIONAL RISKS	Evolving perceptions of climate change may result in reputational risk and a higher cost of capital. For example, certain financial institutions, funds and providers of other sources of capital have begun promoting the divestment of fossil fuel equities and urging lenders to limit funding to companies engaged in the production and sale of fossil fuels, resulting in an increased cost of capital.	<p>Mitigation efforts include proactively engaging with investors and other stakeholders, continuing to enhance transparency in our disclosure of ESG-related issues and performance, supporting our local communities through donations and volunteerism, and aligning our executive compensation to ESG-related targets, including our goal to reduce Scope 1 GHG emissions intensity.</p> <p>We see our investment and strategic development of our Low Carbon Solutions for industrial partners as a differentiator, allowing us to manage through the energy transition and establish a new (customer-facing) business line.</p>
TECHNOLOGY RISKS	Advancements in technology lead to the acceleration of a transition to a low-carbon economy.	<p>Talos has established TLCS and has developed an industry-leading portfolio of CCS projects along the U.S. Gulf Coast. Our TLCS business seeks to leverage the more than 30 gigatons of potential carbon storage capacity located along the U.S. Gulf Coast to capture and permanently sequester carbon emissions from a wide array of industrial sources, which include over 100 facilities that emit more than 1,000,000 tons of carbon dioxide per year. (Source – EPA Facility Level Information on GreenHouse gases Tool (Flight) – 2021 Data)</p> <p>We also utilize a high-quality ecosystem of partners and industry-led organizations focused on delivering decarbonization solutions across our TLCS business.</p> <p>For our upstream business, we leverage technology (specifically utilizing proprietary reprocessing of seismic data) to identify new and additional resources to be developed, reducing exploration and development risk.</p>

Strategy

With the transition to a low-carbon economy unfolding, Talos strives to be a best-in-class offshore operator as well as a leader in emerging U.S. carbon capture and sequestration.

We recognize that the energy transition is a rapidly evolving landscape that requires organizations to not only stay abreast of technology developments and competitive positions to safeguard existing business models, but also to identify ways to expand our portfolio and pursue adjacent technologies to deliver incremental value. As a result, climate-related opportunities are integrated into our broader business strategy over the short-, medium-, and long-term through continual evaluation of existing and emerging carbon management technologies for offshore operations, incorporating lower-carbon intensity subsea tie-back opportunities into existing infrastructure, exploring solutions to enhance existing CCS technologies, and identifying emerging, adjacent low-carbon opportunities along the value chain.

The IEA stated has stated that reaching net zero will be virtually impossible without CCS⁽¹⁾. Our long-term strategic view supports that statement. We believe CCS is required to enable low-carbon solutions now for fossil-based power and industrial plants.

We also believe it will be a critical part in supporting low-carbon hydrogen production long-term. In order to sustain modern day life, Talos is well positioned to participate in the energy transition and to help meet global climate goals.

Talos-Announced CCS Projects

From Left, Bayou Bend, Freeport LNG, River Bend, Coastal Bend



**IDENTIFIED
CLIMATE-RELATED
OPPORTUNITIES**

⁽¹⁾ Source- IEA Energy Technology Perspectives 2020



Strategy

CLIMATE OPPORTUNITIES

Type	Impact	Initiatives
RESOURCE EFFICIENCY	Talos actively works to identify new technologies that could help reduce operating costs and/or enhance production capacity while reducing our Scope 1 GHG emissions.	<p>Talos has initiated an annual Forward Looking Infrared Radar ("FLIR") survey on all of our offshore platforms to identify and repair otherwise undetected methane leaks. On key large, manned platforms, we have increased the FLIR surveys to semi-annual.</p> <p>We are evaluating and piloting converting natural gas-driven equipment to renewable power by installing solar and wind modules on satellite facilities, as well as the potential of capturing vented Scope 1 GHG emissions through additional onsite vapor recovery units.</p> <p>We are in the initial stages of researching wind, ocean waves, and geothermal energy opportunities.</p>
CARBON CAPTURE AND STORAGE	Talos leverages decades of experience with conventional geology and offshore operations to pursue our goal of developing future CCS opportunities. We are actively evaluating potential project opportunities through our ventures along the U.S. Gulf Coast.	<p>Our Regional Hub Projects will consist of sequestration sites located near large industrial Scope 1 GHG emissions centers, allowing us the ability to consolidate carbon emissions from multiple industrial sources and develop large-scale CCS projects.</p> <p>Our Point Source Projects will be customized turnkey CCS projects for individual industrial partners to capture and eliminate carbon emissions from single sources, such as liquefied natural gas ("LNG") facilities, manufacturing plants, and/or power generation facilities, among others.</p> <p>On August 25, 2021, we announced, along with our partner Carbonvert, Inc., that we were the sole winning bidder partnership for the Texas General Land Office's (GLO) Jefferson County, Texas carbon storage site located near Beaumont and Port Arthur, Texas.</p> <p>On November 15, 2021, we announced the execution of a letter of intent to develop a CCS project, the Freeport LNG CCS project ("FLNG CCS"), immediately adjacent to Freeport LNG's natural gas pretreatment facilities located near Freeport, Texas, on the Gulf Coast, approximately 60 miles southwest of Houston, Texas.</p> <p>On February 15, 2022, we announced our entry into a lease agreement for River Bend CCS, a major project along the Mississippi River industrial corridor, to develop carbon capture, transportation and sequestration service offerings focused on the Mississippi River industrial corridor.</p> <p>On February 28, 2022, we announced our partnership with Howard Energy and the entry into an option agreement with the Port of Corpus Christi to pursue commercial CCS opportunities on-site at the Port of Corpus Christi to develop the Coastal Bend Carbon Management Partnership.</p> <p>On March 16, 2022, we announced the formal execution of the GLO carbon storage site lease and established a strategic alliance with Carbonvert, Inc. On May 24, 2022, Chevron entered into the Bayou Bend CCS joint venture.</p>

IDENTIFIED CLIMATE-RELATED OPPORTUNITIES

Strategy

CLIMATE OPPORTUNITIES (CONTINUED)

Type	Impact	Initiatives
DEVELOPMENTAL EFFICIENCY	Our portfolio, coupled with our infrastructure-led exploration and development strategy in the Gulf of Mexico, allows us to develop our assets on an accelerated timeline with a lower overall carbon intensity. Because of the maturity of this basin and its prolific pipeline infrastructure, routine flaring of gas production is not required, which reduces Scope 1 GHG emissions as compared to many onshore unconventional basins that lack pipeline infrastructure.	Talos aims to be responsible owners and operators of offshore assets and develop new resources near existing infrastructure while reducing Scope 1 GHG emissions.
ACCESS TO EMERGING MARKETS	Being a first mover in the CCS industry has allowed us to develop partnerships with several low carbon-focused companies and businesses to source, evaluate, and develop CCS project opportunities along the U.S. Gulf Coast.	Talos has an experienced team of professionals dedicated to actively identifying and evaluating new opportunities within the low carbon value chain.
RENEWABLE ENERGY	As a part of our climate strategy, we continue to seek opportunities to integrate renewable energy into our operations. Our focus on renewable energy will help us move closer to our goal of reducing our environmental footprint.	Nearly all of our facilities in the Gulf of Mexico are equipped with solar panels used to power certain non-essential systems. Currently, we are piloting a wind and solar powered air compressor program. In addition, we are evaluating low carbon energy sources for the development and ongoing operations of our CCS projects.

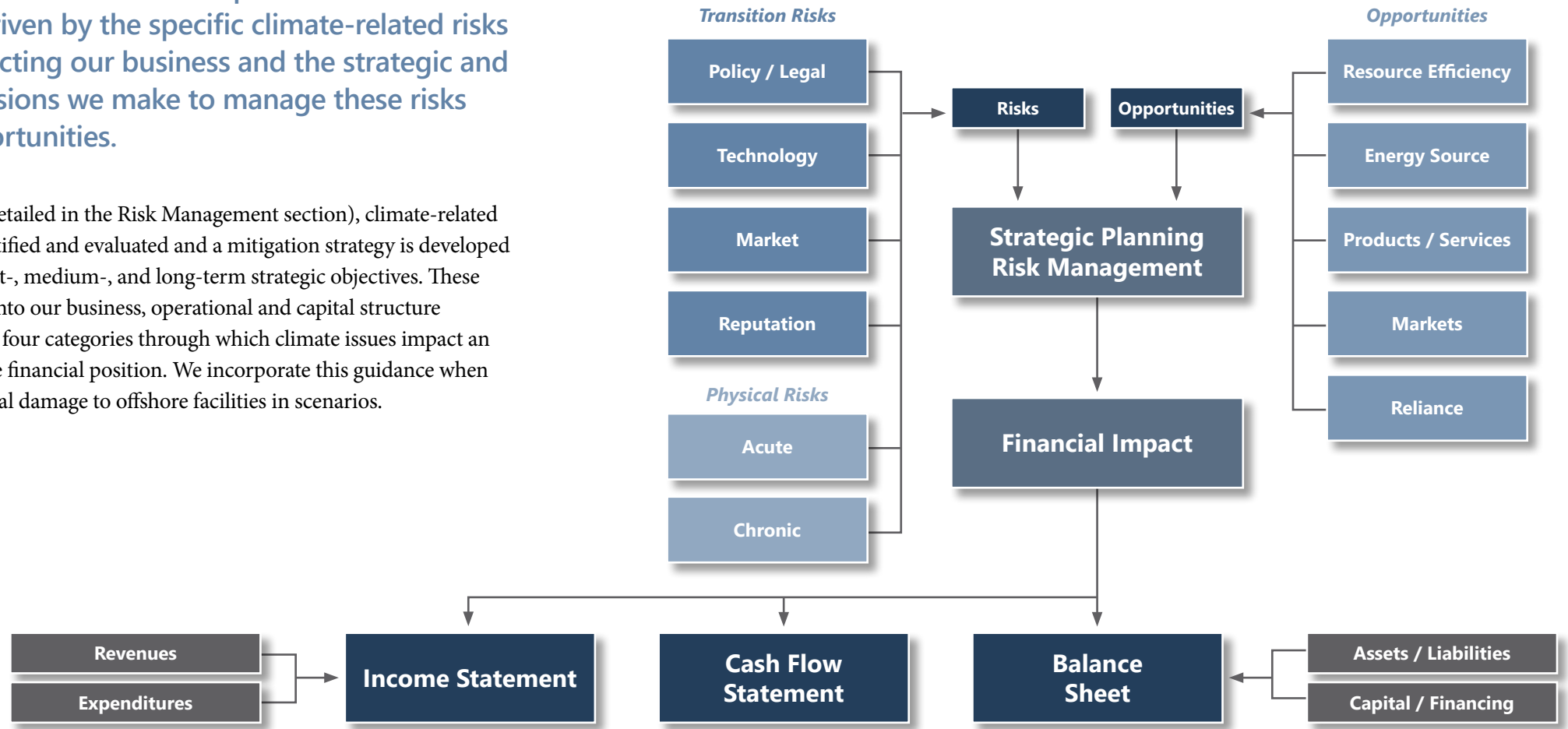
IDENTIFIED CLIMATE-RELATED OPPORTUNITIES



Impact of Climate-Related Risks and Opportunities on Strategy and Financial Planning

Fundamentally, the potential financial impacts of climate change on Talos are driven by the specific climate-related risks and opportunities affecting our business and the strategic and risk management decisions we make to manage these risks and capitalize on opportunities.

Through our ERM process (as detailed in the Risk Management section), climate-related risks and opportunities are identified and evaluated and a mitigation strategy is developed to be incorporated into our short-, medium-, and long-term strategic objectives. These risk assessments are integrated into our business, operational and capital structure planning. The TCFD establishes four categories through which climate issues impact an organization's current and future financial position. We incorporate this guidance when estimating cost and any structural damage to offshore facilities in scenarios.



Financial Impact, Related Risks, and Strategy Integration

Income Statement

Revenues

Transition and physical risks may affect the supply of and demand for traditional oil and gas products and services. Storms and hurricanes in the Gulf of Mexico could lead to damaged infrastructure and production delays or losses. In particular, given the emergence and likely growth of carbon pricing as a mechanism to regulate emissions, Talos recognizes the importance of considering the potential impacts of such pricing on our revenues. Additionally, potential revenues from our CCS business are integrated into our internal strategy setting and revenue forecasting. These forecasts consider the large addressable markets and variety of potential customers for CCS. Some additional considerations include incentives such as federal tax credits, state programs, DOE funding, and voluntary carbon markets.

Expenditures

In addition to the potential effects of transition and physical risks on our revenues, we consider the potential effects of these risks on our cost structure. Physical risks, whether acute or chronic, have the potential to impact our operating costs, delay or cancel production activities, and/or disrupt our supply chain. Talos prioritizes a balance of traditional operating project risk, impact, cost, and cycle time in developing its capital planning for future periods. As project risk increases, we generally target a lower working interest, thereby increasing the number of net projects in any specific period and diversifying risk. On the CCS side, we consider tolling fee per ton, total volume, capital expenditures, financing, risk reduction and scale. Our guidance for 2022 includes ~\$30 million in CCS investments or ~5% of our capital spending dedicated to TLCS.

Balance Sheet

Assets and Liabilities

As part of our overall strategy and risk management, Talos assesses how supply and demand changes resulting from changes in policies, technology, and market dynamics related to climate change could affect the valuation of our assets and liabilities. There is a significant degree of uncertainty with the assumptions used to estimate future undiscounted cash flows due to the risk factors related to climate change, among other things. Our estimates of reserves may also be impacted by climate-related risks - including physical risks and transition risks such as policy & regulation risks, market risks, and technology risks. Decreases in oil prices, for example, may cause a field's economic limit to be reached at an earlier projected date thus lowering proved reserves.

Capital and Financing

Talos aims to maximize shareholder value through disciplined investments, healthy credit, and responsible risk management. Our financial principles regarding capital and financing include: appropriate capital reinvestment with positive Free Cash Flow generation; maintaining low leverage and high liquidity; and managing maturities and financial obligations for flexibility and responsible risk management with hedging, insurance, and contract management. We recognize that climate-related risks and opportunities may change the profile of our debt and equity structure and may affect the ability to raise new debt, refinance existing debt, or reduce the tenor of borrowing available. These climate issues are integrated into our overall strategy around financial planning.

Strategy

Talos utilizes scenario analysis in our strategy setting and financial planning processes to identify and test the impact of developments in technology, climate risks, regulations, and industry fundamentals on our business. We develop and evaluate the scenarios against publicly available data sources to test our assumptions and assess plausible future scenarios focusing on market fundamentals.

The risks we face include such things as enhanced regulations of GHG emissions, potential adoption of carbon pricing policies, changing customer energy preference, fluctuations in commodity prices, hurricane-related impacts and changing investor strategies that may affect our access to capital. We seek to minimize our exposure through a variety of strategies and our Enterprise Risk Management (ERM) process, which is overseen by our Board and management team. Given the location of our assets, scenario analysis to assess climate risk due to hurricanes is regularly performed.

Our hurricane impact scenario contemplates downtime (ours, midstream, and shore-based refining), price variability, costs (repair, replacement), and the possibility of permanent production loss.

Significant structural impacts have been mitigated over the years through the Bureau of Ocean Energy Management's (BOEM) and Bureau of Safety and Environmental Enforcement's (BSEE) issuance of new regulations and guidance documents aimed at improving platform survivability by considering environmental and oceanic conditions in the design of platforms and related structures.

We incorporate this guidance when estimating cost and any structural damage to offshore facilities in scenarios. These measures help to further mitigate physical risks and reduce the downtime and costs associated with potential hurricane impacts. In addition, we participate in industry organizations such as the National Ocean Industries Association (NOIA), Offshore Operators Committee (OOC) and the Society of Petroleum Engineers (SPE) to share best practices which also help to improve the resiliency of our current physical assets. As this is a journey, we will continue to evolve and expand our climate change scenario analysis capabilities each year.

TESTING OUR RESILIENCE



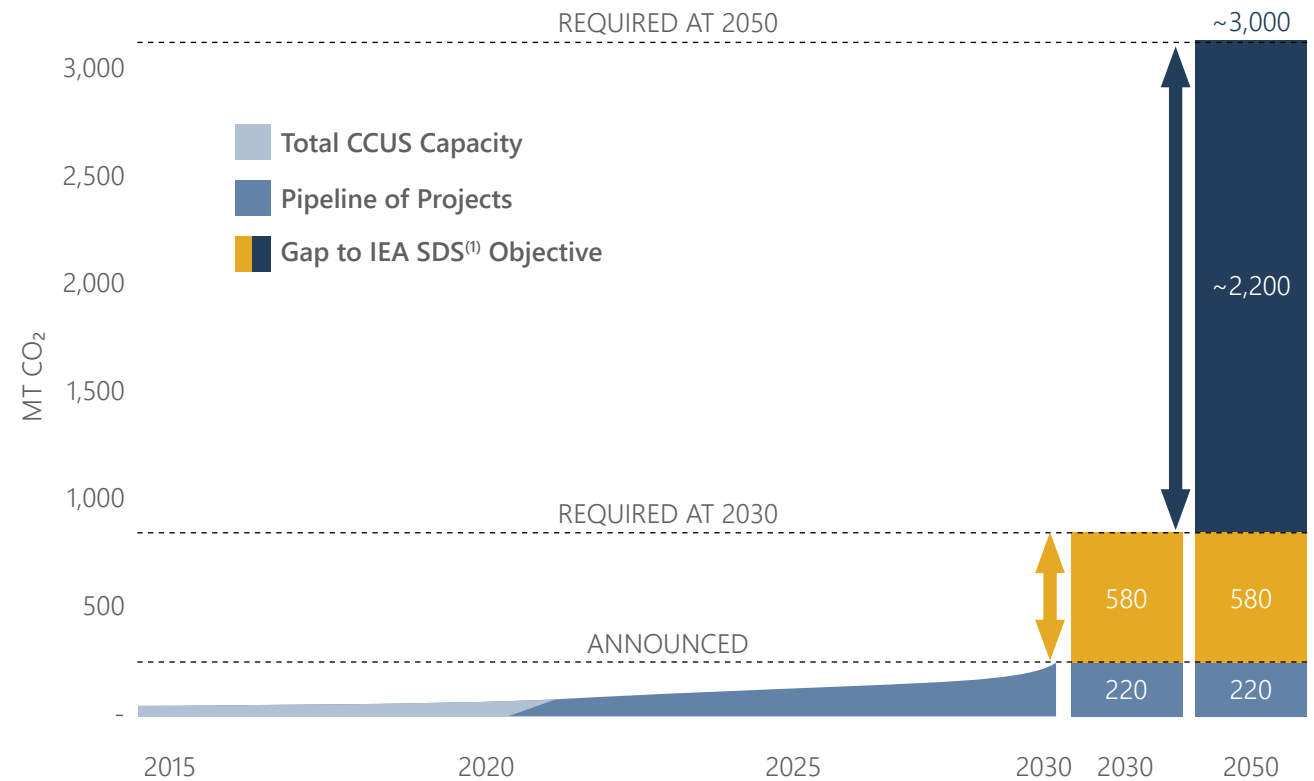
Strategy

Talos's scenario planning efforts led to the evolution of our low carbon strategy in 2021. We evaluated numerous opportunities where we could contribute to efforts to meet the world's energy transition goals.

We found that CCS leverages our existing expertise, has significant commercial potential, and is a critical technology needed to meet GHG emissions reduction goals over decades to come. We have announced four projects along the U.S. Gulf Coast and we estimate full-scale permanent sequestration capacity per project will be 1 to 10 million tons of carbon dioxide per year. Given that the International Energy Agency (IEA) projects that 7.6 Gt of CO₂ needs to be captured and stored per year to meet global targets⁽¹⁾, our opportunities are well-positioned to contribute to the emissions reduction needs of the U.S. Gulf Coast Region as well as global targets. As Talos progresses along our TCFD journey, we have begun to evaluate the IEA's World Energy Model and four World Energy Outlook (WEO) scenarios. We are committed to incorporate at least two different climate-related scenarios in our strategic planning, including a 2-degree or lower scenario, in line with the recommendations of the TCFD in future climate disclosure reports.

SCENARIO ANALYSIS

Additional CCS Capacity is Required to Meet Global Targets Over 2.6x More CO₂ Capture Capacity Necessary to Meet Near-Term Goals



Source: International Energy Agency, GCCSI and NREL databases, IEA Energy Technology Perspective 2020; Kearney Energy Transition Institute analysis.
(1) IEA Net Zero by 2050 – A Roadmap for the Global Energy Sector (Oct 2021)

RISK MANAGEMENT



Process of identifying and Managing Climate-Related Risks

An integral component of Talos's climate resilience strategy is our ERM framework. The objective of the ERM framework is to clearly define our risk management vision, goals, and objectives, as well as establish a consistent approach to the identification, assessment, mitigation, and reporting of organization-wide critical risks and opportunities, including those that are climate-related, to leadership and our Board.

The ERM process enables the Board and executive leadership to consider climate-related risks and opportunities when establishing short-, medium-, and long-term strategic objectives and allows us to integrate them into business, operational and capital structure planning activities. Our ERM framework is broken out into five strategic pillars, each with its own set of tactical objectives.

Climate-related risks are assessed alongside other business risks through Talos's enterprise-wide risk assessment, which evaluates the impact and likelihood of these critical risks on the achievement of our operational or strategic objectives. Throughout the year, our interdisciplinary ERM Steering Committee meets to review existing risks and identify new or emerging risks and opportunities so modifications can be incorporated into the corporate risk register.

Annually, climate-related risks, alongside other identified risks undergo a formal risk assessment whereby the impact and likelihood of occurrence are assessed utilizing our pre-defined rating scales, which include several dimensions that help reduce bias. Likelihood is assessed based on the probability of a risk materializing and frequency of occurrence if no action is taken.

The impact of a risk materializing is evaluated on scale of incidental to extreme which encompasses potential human, environmental, financial, and reputation consequences. Based on the assessment, each risk is assigned an inherent risk score which is used to prioritize risk mitigation efforts and communication to management. To assist the Board and its standing committees with understanding key strategic risks and oversight of our risk management practices, throughout the year management presents detailed risk response plans for critical risks to the Board committees responsible for oversight of the risks pursuant to their charters.



Strategy and Objective Setting

Align ERM goals and objectives with Talos's strategic objectives.



Risk Identification

Identify strategic, operational, legal, financial, technological and climate-related risks throughout the organization.



Risk Assessment

Assess risks using a formal set of criteria to identify those risks which have the greatest impact to the achievement of strategic objectives.



Risk Response

Document and assess the effectiveness of risk mitigation activities and develop strategies to enhance mitigation and/or monitoring activities.



Monitor and Report

Periodic monitoring and reporting of risk and status of risk mitigation strategies.

METRICS & TARGETS



Metrics & Targets

Talos monitors a variety of environmental data points, beginning with a baseline of 2018. Concerning those metrics that are directly related to the risks and opportunities of climate change, we track and report Scope 1 and Scope 2 GHG emissions. To see other environmental metrics relevant to our business, please review the KPI Data Tables in our 2022 Annual ESG Report.

Scope 1 GHG Emissions

Scope 1 GHG emissions are defined by the Environmental Protection Agency (EPA) as direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces and vehicles). Talos's Scope 1 GHG emissions are those resulting from operated U.S. production platforms in federal and state waters, including emissions that are below the EPA GHG Reporting Program threshold that would otherwise go unreported. We report Scope 1 GHG emissions to the EPA pursuant to 40 CFR Part 98, Subpart W, "Petroleum and Natural Gas Systems, Offshore Oil and Gas Production". We also calculate and report Scope 1 GHG emissions to BOEM as required by their triennial emissions inventory effort using the OCS Air Quality System (AQS), which was formerly known as Gulfwide Offshore Activities Data System (GOADS).

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The 2018 baseline year was based on the GOADS methodology at the time. Scope 1 GHG emissions for 2019 and 2020 reflect the updated BOEM 2017 GOADS Emissions inventory study data. In 2021, BOEM implemented the AQS system.

While the emissions sources captured by both EPA's and BOEM's programs are similar, the emissions calculated within the BOEM AQS system more accurately represent emissions for each year. Furthermore, additional operations that occur off-platform are captured by the AQS requirements but are not captured by EPA's GHG Reporting Program. Since submitting companies have some discretion about their modeling methods, we intend to make conservative assumptions and use the most accurate data wherever applicable, so emissions estimates are comprehensive.

Therefore, we are using the BOEM AQS methodology to report our 2021 Scope 1 GHG emissions. To reduce Talos's Scope 1 GHG emissions and meet our stated goals and targets, we have been converting cold vent stacks to flares to reduce methane emissions during non-routine events, reducing overall venting volumes, shutting in facilities that are approaching the end of commercial life, implementing gas detection and FLIR cameras at each of our Gulf of Mexico facilities, piloting a program to convert gas driven pumps and controllers from pneumatic gas to compressed air through the use of solar and wind-powered air compressors, and updating combustion calculations utilizing additional metering.

In addition, we continue to evaluate Scope 1 GHG emissions reduction technologies and processes to find further incremental gains.

Metrics & Targets

Scope 2 GHG emissions are indirect emissions associated with the purchase of electricity, steam, heat or cooling.

Scope 2 GHG Emissions

Talos uses a location-based methodology for calculating Scope 2 GHG emissions using factors provided by the EPA's eGRID data tables for U.S.-based and International Energy Agency (IEA) emissions factor database for Mexico. As part of our overall climate strategy, we strategically evaluated and selected our headquarters building located in Houston, Texas to help us reduce our Scope 2 GHG emissions because our headquarters is both LEED Gold Certified and Energy Star rated. These certification programs help us increase resource and energy efficiency while also improving occupant health and safety.

Emissions Table ⁽¹⁾	Units	2018	2019	2020	2021
SCOPE 1 GHG EMISSIONS	MTons CO ₂ e	549,088	507,953	406,076	444,763
SCOPE 2 GHG EMISSIONS	MTons CO ₂ e	1,636	1,237	946	794
GROSS OPERATED PRODUCTION	MMBOE	25.2	27.9	23.3	28.0
GHG EMISSIONS INTENSITY (SCOPE 1)	MTons CO ₂ e/MBOE	21.8	18.2	17.4	15.9

(1) For complete disclosures and notes regarding Scope 1 and 2 GHG emissions and operated production, please refer to page 27 of the Talos 2022 ESG Report.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Key Initiatives Conducted in 2021

Taking a Holistic Approach to Emissions Reduction Through Prevention, Automation, and Innovation



Established methane leak detection (FLIR) survey program for all platforms
Semi annual and annual surveys allow us to address issues we can't physically see, reduce Scope 1 GHG emissions, and provide a safer environment for employees living and working on our platforms.



Installed pilot wind/solar powered air compressor units on selected platforms
Testing renewable technology in our offshore environment is crucial to reducing our carbon footprint.



Enhanced production accounting software to automate field emissions data collection
Data management is one of the key challenges to ensuring accurate disclosures.



Converted venting systems to flaring systems for upset conditions on two major platforms
Cutting methane emissions is the fastest opportunity we have to immediately slow the impact of climate change while we do more to decarbonize our operational footprint.



Invested in emissions-focused initiatives
A combination of capital and operational expenses supported continuous improvement and development of multiple initiatives across a broad spectrum.

Targets Used to Mitigate Climate-Related Risks and Opportunities

In 2021, Talos increased the weighting of ESG-related metrics for the Company's Annual Incentive Program (AIP) from 10% to 20%. Health, Safety, & Environmental (HSE) performance was weighted at 10% and progress on ESG initiatives was weighted at 10%.

Talos also had a variety of short-term, project based internal goals that supplement the AIP and overall Scope 1 GHG emissions intensity reduction target for ESG initiatives. Project-specific goals related to emissions reduction tend to be binary and progress is evaluated based on completion. In 2021, ESG initiatives were based on an overall reduction to our Scope 1 GHG emissions intensity from the prior year and specific projects that comprised of installing flaring systems for upset conditions on 2 platforms, implementing a FLIR program for leak detection, and piloting a solar and wind compressor on 2 unmanned platform.

Our progress on strategic initiatives included the successful launch of our carbon capture business with the announcement of the Freeport LNG CCS project. Our HSE performance was based on a reduction of our TRIR metric from the prior year.

METRICS & TARGETS: SHORT-TERM TARGETS & GOALS

2021 AIP Bonus Weighting



10%
HSE Performance



10%
ESG Initiatives

Targets Used to Mitigate Climate-Related Risks and Capitalize on Climate-Related Opportunities

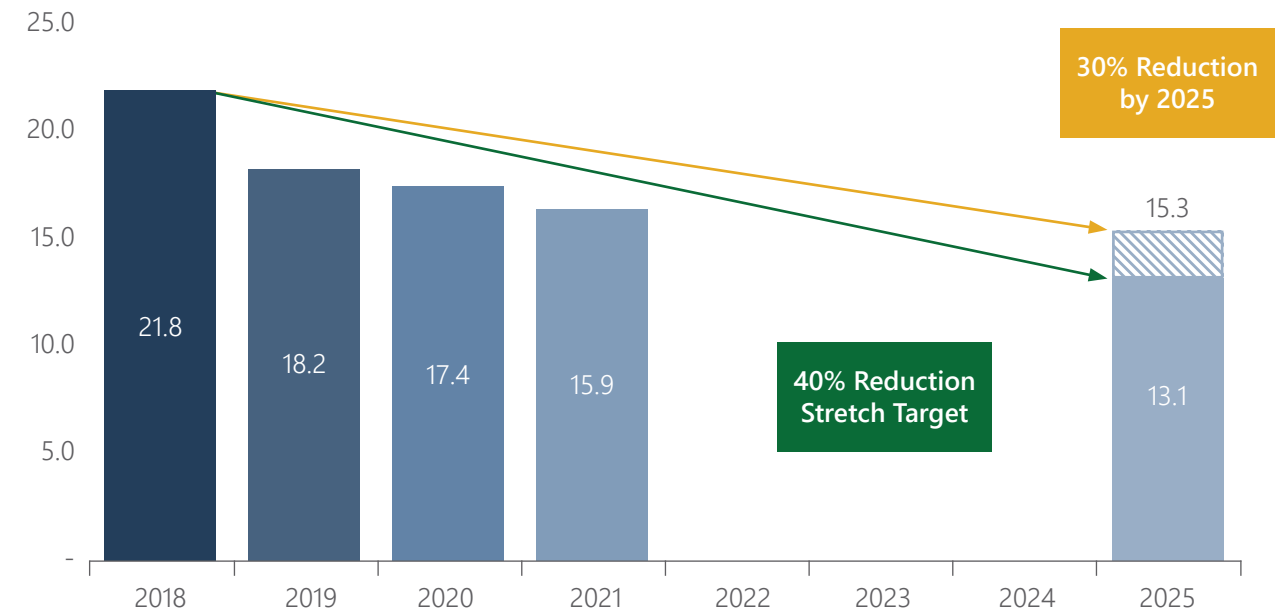
In 2021, Talos strengthened our ESG commitments with the establishment of medium-term Scope 1 GHG emissions intensity reduction target and the further linkage of executive compensation to ESG performance.

We instituted a target of a 30% reduction (with a stretch target of 40% reduction) in Scope 1 GHG emissions intensity by 2025 from the baseline 2018 levels established in our 2021 ESG Report. To meet this target, we need to achieve an average annual Scope 1 GHG emissions intensity reduction rate of ~5%. Between 2020 and 2021, our Scope 1 GHG emissions intensity decreased by 8.6%, placing us in the top 20% of peers in the pace of Scope 1 GHG emissions intensity reduction. In late 2021, management added a 40% reduction stretch target to our goals.

METRICS & TARGETS: MEDIUM-TERM TARGETS & GOALS

Driving Down Scope 1 GHG Emissions Intensity

Gross Operated Production, MT CO₂ Equivalent/MBoe



Note: Scope 1 GHG Intensity reduction targets calculated from 2018 baseline. Emissions reduction benchmarking data per Bloomberg, includes 34 U.S. listed independent Upstream companies. Includes GHG emissions from Talos-operated U.S. production platforms in Federal waters and MP 72 in state waters (Scope 1). Also includes emissions that are below the EPA GHG Reporting Program threshold that would otherwise go unreported. Does not include emissions associated with drilling & completions activities or the HP-1 floating production system. 100-year global warming potential (GWP) values were used to convert methane (GWP of 25) and nitrous oxide (GWP of 298) to carbon dioxide-equivalents (CO₂e). Emission changes between 2018 and 2019 reflect the updated BOEM Gulfwide Offshore Activity Data System (GOADS) emissions inventory and/or Talos operating practices. 2020 emissions were calculated using the same GOADS methods and requirements as 2019 emissions. 2021 emissions were calculated using BOEM Air Quality System (AQS) reporting requirements and then adjusted to be consistent with previous reporting years.

Targets Used to Mitigate Climate-Related Risks and Capitalize on Climate-Related Opportunities

Long-term goals at Talos are related to our vision of building the energy company of tomorrow. We aim to build long-term shareholder value by providing safe, reliable and responsible energy while developing large scale decarbonization projects for industrial consumers.

Talos is one of the largest independent operators in the U.S. Gulf of Mexico, with production operations, prospects, leases, and seismic databases spanning the basin in both deep and shallow waters. The Company aims to actively grow through a balanced focus on asset optimization, development and exploration while also seeking to add to its portfolio through acquisitions and business development.

We have rapidly taken a leadership role in the developing market for global emissions reductions. In building the CCS service model, we aim to partner with midstream and other companies to provide turn-key emissions reduction solutions to industrial emitters. Our portfolio is diversified, with addressable markets and a variety of potential customers. Our goal for the CCS platform is to contribute to broad industrial decarbonization well beyond our Scope 1 GHG emissions.

At full scale, we estimate that our current CCS portfolio will have the capacity to permanently sequester more than 50x the annual equivalent of our own upstream operations for our industrial customers⁽¹⁾. We are actively working to mature and grow our Upstream and CCS efforts across the U.S. Gulf Coast and evaluate additional decarbonization opportunities throughout United States.

Our vision is to be recognized as a preferred leader in the U.S. Gulf of Mexico and domestic decarbonization. This vision can only be achieved by incentivizing the right behaviors and by executing on our commitments.

(1) Upstream data based on offshore operated production plus third-party operated wells flowing through Talos production facilities. Existing CCS portfolio sequestration based on an estimated midpoint of gross annual injection rates from existing announced projects. Permanently sequestered CO₂ estimates are subject to achievement of full-scale CCS operations, which is subject to many uncertainties and may not be achieved on the timeline currently contemplated or at all, and are shown compared to current annual Scope 1 GHG emissions, which may fluctuate or increase over time.

METRICS & TARGETS: LONG-TERM TARGETS & GOALS



APPENDIX A

REFERENCED DOCUMENTS

HELIX PRODUCE



Appendix A – Referenced Documents

Committee Charters

Audit Committee Charter

Compensation Committee Charter

Nominating & Governance Committee Charter

Safety, Sustainability & Corporate Responsibility Committee Charter

Corporate Governance Documents

A&R Bylaws of Talos Energy Inc.

Corporate Governance Guidelines

Policies

Anti-Bribery & Corruption Policy

Code of Business Conduct and Ethics

Human Rights Policy

Vendor Code of Conduct

Historical Reports

2021 ESG Report

2020 ESG Report



APPENDIX B

FORWARD-LOOKING STATEMENTS



Appendix B – Forward-Looking Statements

This communication may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact included in this TCFD Climate Report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans, objectives of management, and climate-related targets, strategies, priorities, and initiatives, including, among others, those related to GHG emissions reduction, low-carbon technologies, and our carbon capture and storage opportunities are forward-looking statements. When used in this TCFD Climate Report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “forecast,” “may,” “objective,” “plan,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. These forward-looking statements are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks include, but are not limited to, commodity price volatility due to the continued impact of the coronavirus disease 2019 (“COVID-19”), including any new strains or variants and governmental measures related thereto on global demand for oil and natural gas and on the operations of our business; the ability or willingness of OPEC and other state-controlled oil companies (“OPEC Plus”) to set and maintain oil production levels; the impact of any such actions; lack of transportation and storage capacity as a result of oversupply, government and regulations; lack of availability of drilling and production equipment and services; adverse weather events, including tropical storms, hurricanes and winter storms; cybersecurity threats; inflation; environmental risks; failure to find, acquire or gain access to other discoveries and prospects or to successfully develop and produce from our current discoveries and prospects; geologic risk; drilling and other operating risks; well control risk; regulatory changes; the uncertainty inherent in estimating reserves and in projecting future rates of production; cash flow and access to capital; the timing of development expenditures; potential adverse reactions or competitive responses to our acquisitions and other transactions; the possibility that the anticipated benefits of our acquisitions are not realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of acquired assets and operations and the other risks discussed in Part I, Item 1A. Risk Factors of our 2021 Annual Report.

Should one or more of the risks or uncertainties described herein occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. All forward-looking statements, expressed or implied, included in this TCFD Climate Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this TCFD Climate Report and in Part II. Item 1A of our subsequent Quarterly Reports.

Forward-Looking Statements May Include Statements About

- business strategy
- reserves
- exploration and development of drilling prospects, inventories, projects and programs
- our ability to replace the reserves that we produce through drilling and property acquisitions
- financial strategy, liquidity and capital required for our development program and other capital expenditures
- realized oil and natural gas prices
- timing and amount of future production of oil, natural gas and NGLs
- our hedging strategy and results
- future drilling plans
- availability of pipeline connections on economic terms
- competition, government regulations and political developments
- our ability to obtain permits and governmental approvals
- pending legal, governmental or environmental matters
- our marketing of oil, natural gas and NGLs
- leasehold or business acquisitions on desired terms
- costs of developing properties
- general economic conditions, including the impact of continued inflation and associated changes in monetary policy
- political and economic conditions and events in foreign oil, natural gas and NGL producing countries, including embargoes, continued hostilities in the Middle East and other sustained military campaigns, the war in Ukraine and associated economic sanctions on Russia, conditions in South America, Central America and China and acts of terrorism or sabotage
- credit markets
- impact of new accounting pronouncements on earnings in future periods
- estimates of future income taxes
- our estimates and forecasts of the timing, number, profitability and other results of wells we expect to drill and other exploration activities
- the success of our carbon capture and storage opportunities
- our ongoing strategy concerning our Zama asset
- uncertainty regarding our future operating results and our future revenues and expenses
- plans, objectives, expectations and intentions contained in this TCFD Climate Risk and Opportunity Report that are not historical, including those related to, among other things, GHG emissions reduction

A full-page background image showing a sunset over the ocean. The sky is filled with large, billowing clouds that are illuminated from below by the setting sun, creating a warm orange and yellow glow. The sun itself is visible on the far left, partially obscured by a cloud. The ocean surface is visible at the bottom, reflecting the light from the sky.

2022 TALOS ENERGY
CLIMATE RISK AND
OPPORTUNITY REPORT

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