

Sustainability Report 2023

Gasoducto de Morelos



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Organization Information

Who are we and what do we do?

At Gasoducto de Morelos we provide natural gas transportation and supply services including its conduction through pipeline, the measurement of the quality and quantity of the product received, as well as all the actions or operations necessary to make its delivery.

We are an infrastructure that resulted from the international tender of the Federal Electricity Commission (CFE) in 2011 to provide the natural gas transportation service to the Centro Combined Cycle Power Plant.

Operational presence

We operate and maintain infrastructure in the states of Morelos, Tlaxcala, and Puebla. Our catalog of strategic services includes highly skilled technicians in the field



Características del gasoducto



172 km de longitud con un diámetro de 30".



Capacidad operativa de 337 Millones de Pies Cúbicos por Día (MMPCD).



Construido en los Estados de Tlaxcala, Puebla y Morelos.

Major Social and Environmental Issues

At Gasoducto de Morelos we are committed to maintaining a balance between economic growth and social development. We are aware that we play a key role as agents of positive change, integrating social and environmental sustainability as a company strategy.

Throughout the development and operation of the Morelos Natural Gas Transportation System, we have prioritized environmental care and protection. We implement and maintain projects that mitigate the environmental impacts of our activities. Our strategy is grounded in environmental, health, and safety considerations, aligning with our commitment to ESG (environmental, social, and governance) principles.

Stakeholders

Our goal is to create value for all our stakeholders and generate positive impacts on society and the environment, which are directly or indirectly affected by the company's operations.

Internal stakeholders: these are the groups that belong to the internal structure of the company:

- Management
- Shareholders (Macquarie Asset Management Americas)
- Workers

External stakeholders: those who do not belong to the internal structure of the company:

- Clients
- Suppliers
- Society
- Regulatory Entities

Environment



Environmental Aspects

At Gasoducto de Morelos we respect and strive to improve the environmental and social environment in which we operate. Reducing the impact of the activity is a commitment of all, among these most relevant impacts we find some such as waste management, energy consumption, climate change mitigation and carbon footprint.

Alignment with the UN SDGs:



Strategies

At Gasoducto de Morelos we care and are committed to mitigating the impact of our activities in the following aspects, carrying out certain strategies in:

- **Air pollution**

During 2023, we developed the mitigation and adaptation strategy focused on keeping the boilers of the natural gas transportation system out of operation, which reduces pollution from combustion. Every 2 years, the measurement of emissions in the equipment (boilers) is carried out.
- **Soil contamination**

The strategy we developed was the proper management and disposal of waste, mainly hazardous waste. We train staff to reduce the generation of this waste and correct separation. Constantly, there was adequate supervision to identify in time the incidents that could generate environmental pollution.
- **Energy**

We carried out the installation of solar luminaires to save electricity, we placed the signage related to energy saving and care in the offices. Similarly, we opted for air conditioning equipment with inverter technology and new lighting, ventilation/cooling systems, etc.
- **Greenhouse gas emissions**

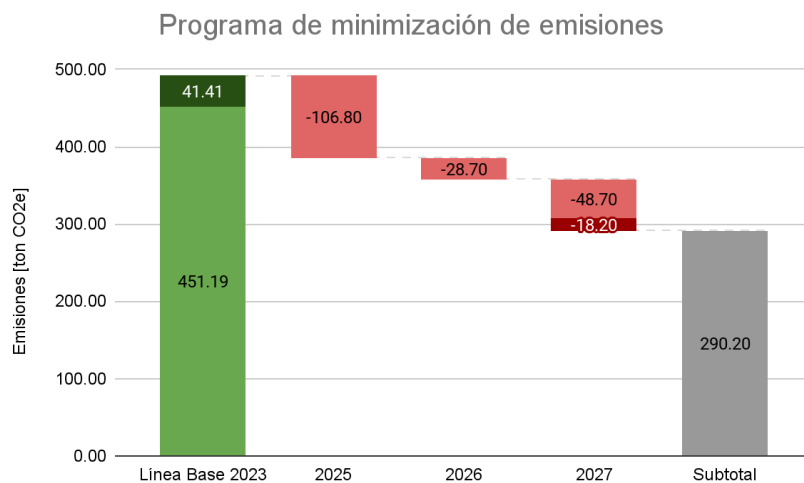
We carried out the leak detection and repair program in accordance with the schedule of the PAM 2023 (Annual Maintenance Program) of Gasoducto de Morelos, thus complying with current regulations on operation and maintenance and methane emissions. In addition, we plan maintenance activities of the facilities in such a way that the vents are reduced as much as possible.
- **Hazardous substances**

We reduce the use of aerosols, preferring liquid substances and/or air guns for routine maintenance. Also, the decrease in the generation of hazardous waste (aerosols and alkaline batteries). And we generate greater awareness among workers regarding the indiscriminate use of hazardous materials.
- **Net Zero Plan – impact reduction**

As part of the continuous improvement strategies of the Morelos Gas Pipeline and in alignment with our internal environmental policy and current Mexican legislation, we presented the company's direct and indirect emissions minimization plan (Scope 1 and 2).

In 2023, at Gasoducto de Morelos we carried out the measurement of emissions, establishing the baseline to develop the entity's emissions minimization strategy. This will allow us to more accurately determine the fugitive emissions from the facility and will be updated in subsequent years.

- **Objective:** to achieve the goals of reducing 42% of scope 1 and 2 emissions by 2030, and 95% by 2040.
- **Global framework:** Paris Agreement which establishes combating climate change, to limit global warming to less than 2 °C above pre-industrial levels. This international commitment underscores the importance of implementing mitigation strategies that reduce greenhouse gas (GHG) emissions.
- **Annual projection:** the final dates of the reduction estimates were considered for the realization. Thus, reductions of 21.68% are expected in 2025, 5.83% in 2026 and 13.58% in 2027. Below is the graph of the Emissions Minimization Plan:



▪ **Physical risk**

We carried out maintenance activities in areas surrounding the gas pipeline where erosion formations were identified that could generate major landslides. We do this using erosion control works such as breakwaters, washhouses, filling of gullies, etc., and maintenance on access roads. On a monthly basis, during the skiing activities (patrolling in the right-of-way), areas with erosion processes are identified, which go through a process of evaluation of projects for their repair.

▪ **Waste**

We raise awareness among staff about the issue of waste and carry out proper waste management, minimizing generation as much as possible. At the same time, the program of collection and separation of "caps" for donation to foundations began. In addition, we carry out an adequate selection of service providers for the management and disposal of the waste generated in the process of operation and maintenance of the gas pipeline, we also carry out an adequate management of these within the facilities to prevent further contamination.

▪ **Water inlets/withdrawals**

As a strategy, we carry out constant supervision and maintenance in hydraulic installations to prevent leaks and water waste. The water used for services in operational offices is also supplied by means of pipes authorized by the municipality. Since there is no drinking water service in any of these facilities.

- **Liquid treatment**

As a strategy, we placed biodigesters in the construction of guard houses and hydraulic toilets to improve hygiene conditions for workers and in turn we carried out wastewater treatment through the biodigester. In addition, we provide training to personnel for the correct use of the biodigester and generate awareness regarding the use and care of water in the facilities and daily life.

Health and Safety



Health and Safety Aspects

At Gasoducto de Morelos we have a culture of safety and health that we consider a fundamental part of the company, which is why we have standards and protocols to reduce or avoid any workplace accident. The safety of our users is our priority. We are pleased to mention that in 2023 there were no disabling incidents in personnel or contractors. And we reached the goal of 500,000 hours worked without any incident. Likewise, our activities and processes did not affect surrounding communities.

Alignment with the UN SDGs:



Strategies

At Gasoducto de Morelos we care and are committed to the safety and health of our employees, supply chain and surrounding communities, which is why we carry out certain strategies:

- **Health and safety**

We carry out training and awareness campaigns for personnel regarding: hand care, masks, hearing protection, electrical work, etc. Similarly, we carry out drill exercises related to the main risks to the asset. We also issue policies focused on the prevention of risks in physical and property security. And we streamline the processes of reporting unsafe acts and conditions, as well as health self-reports. Eventually, we work on the implementation of a new safety philosophy oriented towards human behavior (SAFESTART).

- **Stakeholder Relations**
(Strategy)

Health and Safety Responsibility



Realizar el Análisis Seguro de Trabajo para cada actividad



Verificar el aislamiento de energía previo a iniciar los trabajos



Contar con un permiso de trabajo autorizado para cada actividad



Usar protección contra caídas en actividades en altura



Usar el Equipo de Protección Personal adecuado



Seguir los procedimientos e instrucciones



Conducir de forma segura y sin distracciones



Notificar actos y condiciones inseguras



Contar con autorización previo a realizar alguna actividad peligrosa

Human resources



Human Resources Aspects

At Gasoducto de Morelos we are committed to identifying the areas that require attention and determining what resources are necessary to meet the company's goals, including the needs of our personnel. We develop comprehensive policies and procedures that govern human rights practices, hiring, compensation, performance evaluations, and professional development. All our actions comply with relevant labor laws and regulations and consider the interests of our stakeholder groups.

Alignment with the UN SDGs:



Strategies

We carry out different activities aligned with the needs of the company and our employees to improve productivity and operational efficiency:

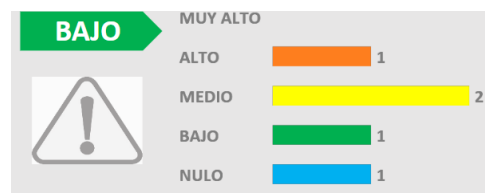
- Training and development
- Salary increases
- Promotions
- Investment in safety for employees: equipment, training, good practices, development of dissemination leaflets, etc.
- Process optimization or procedure documentation
- Investment in talent attraction elements: stock market, media, platforms.
- Staff events, end-of-year parties, etc.
- Health campaigns

Likewise, it was essential to identify the levels of risk in relation to psychosocial factors according to NOM-035-STPS-2018, which promotes a favorable environment in the workplace. We undertook to carry out an analysis in the workplaces of Ciudad Puebla and Mexico City, obtaining the following results:

- **City of Puebla**

A questionnaire was applied to identify the total psychosocial risk factors of Gasoducto Puebla employees.

1. **Conditions in the work environment: unsafe and dangerous conditions of physical, chemical, biological agents, ergonomic or psychosocial risk factors.**



2. **Workloads:** demands that work imposes on the worker and that exceed his quantitative, cognitive or mental, emotional, capacity for responsibility.



3. **Lack of control over work:** the possibility that the worker has to influence and make decisions in the performance of his activities.



4. **Working hours:** when working long hours, with frequent rotation of shifts or night shifts, without periodic breaks and breaks.



5. **Interference in the work-family relationship:** there is conflict between family or personal activities and work responsibilities.



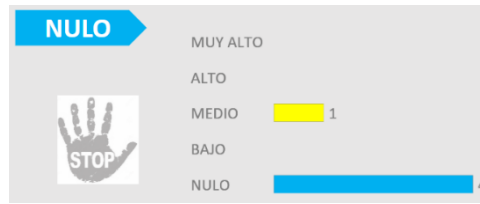
6. **Leadership:** relationship that is established between the employer or his representatives and the workers, whose characteristics influence the way of working and the relationships of a work area.



7. **Relationships at work:** Inability to interact with co-workers to solve work-related problems.



- 8. **Violence:** acts that damage the psychological stability, personality, dignity or integrity of the worker.



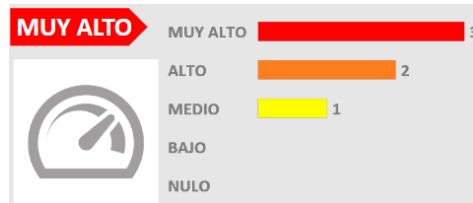
- **Mexico City**

Likewise, a questionnaire was applied to identify the total psychosocial risk factors of the employees of Gasoducto CDMX.

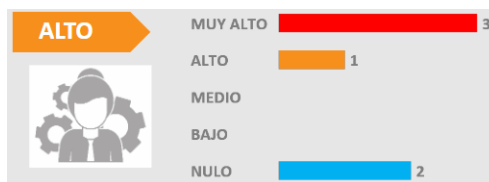
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Social Commitment



Social Aspects

At Gasoducto de Morelos we understand our role as an agent of change in the social welfare and economic growth of the area, in alignment with our business mission. We are also committed to maintaining an open and proactive dialogue with authorities, leaders, and other key actors, with the firm purpose of guiding and coordinating actions and/or initiatives of social management and security for the benefit of the communities where we operate. And with this contribute to sustainable development in the regions of Morelos, Puebla and Tlaxcala.

Alignment with the UN SDGs:



Strategies

At Gasoducto de Morelos we are socially responsible in the decisions that affect the environments where we operate. As part of our commitment to the communities, in 2017 we developed awareness workshops and in 2022 we developed a Remediation and Reparation Program in the municipality of Atzitzihuacán, Puebla.

"Safe and Natural" Workshops

- From 2017 to 2019 we carried out workshops with the aim of sensitizing and raising awareness in communities, through the dissemination of timely information about natural gas, and the controls and safety protocols during the operation of the pipeline. In order to open a space for communication between the Morelos Gas Pipeline and the localities of the state.

- In 2020, within the framework of the pandemic, the program of delivery of 1,500 pantries was activated to help families meet their basic needs, in coordination with State Civil Protection. In the municipality of Atzitzihuacán, Puebla, a community needs survey application was carried out, as well as the development of a "Safe and Natural" workshop.

Remediation and Reparation Program municipality of Atzitzihuacán, Puebla:

- **Overview**

Atzitzihuacán is one of the 18 municipalities in the state of Puebla through which the pipeline passes. It has a population of 12,857 inhabitants, of which 53% are women and 47% are men. It is estimated that 64% of its population lives in a situation of moderate poverty, while about 25% lives in a situation of extreme poverty, that is, 10,302 people live in a situation of poverty within the municipality.

- **Management**


As part of our social management, in December 2022 Gasoducto de Morelos began work in the municipality of Atzitzihuacán, Puebla, for the improvement of public spaces and basic services in coordination with the Municipal Presidency.

The remediation and repair of 811 linear meters of concrete was carried out in the streets of Los Pinos, Miguel Hidalgo (Prolongación Los Pinos) and Josefa Ortiz de Domínguez in the town of Santiago Atzitzihuacán, in correction of the passage of heavy vehicles during the construction stage of the Morelos Gas Pipeline project.

In conjunction with the Municipal Presidency of Atzitzihuacán, Puebla, the release of these sections of the project was agreed to correct the drainage and drinking water systems of these streets, under the responsibility of the Municipal Public Works Directorate. The works included:




Ruptura y demolición con equipo mecánico en pavimento hidráulico existente en un total de 5,700 m³.







Reposición de concreto con resistencia nominal de $f_c 250 \text{ kg/cm}^2$ tamaño máximo de agregado de $\frac{3}{4}$ y fraguado a 28 días en estructura.



Reparación de 1,450 m³ de guarniciones (guarda calle) a lo largo de los 811 metros lineales.



Acarreo y donación del material de construcción en apoyo a los habitantes de la localidad.

-  **Mejoramiento de la base hidráulica con material que cumpla con las normas vigentes de la SCT compactado al 95.**
-  **Pintura de guarniciones sobre todas las calles reparadas en un total de 811 metros lineales lateral derecha e izquierda.**
-  **Mejoramiento del sistema de drenaje solventando el incremento o renovación de pozo de visita tipo común o especial por cada 25 cms.**
-  **Pintura de todos los cruces peatonales de 60 centímetros pintura tipo tráfico.**

Social Responsibility



About 2km of access roads have been rehabilitated, benefiting the surrounding communities.



We build and supply erosion control maintenance for the surrounding areas.



We monitored and maintained the rockfill works carried out on the banks of the tributaries that cross the project.

Customer satisfaction



Satisfaction aspects

At Gasoducto de Morelos we care about the satisfaction of our customers, which is why we maintain open and active communication by holding monthly follow-up meetings with our customers to review and address contractual, regulatory and business requirements and compliance.

Alignment with the UN SDGs:



Strategies

At Gasoducto de Morelos we are committed to sending customers an annual survey to find out their degree of satisfaction in the different areas of the company. In this way, we generate greater closeness with customers, and we identify areas for improvement in some processes.

Compliance- Ethical

Ethical aspects

At Gasoducto de Morelos we have the Compliance area that monitors issues of the ethical channel and possible cases that may arise. In 2023, no cases, complaints, and/or inquiries were filed.

Alignment with the UN SDGs:



Strategies

Once the Compliance area receives any query or complaint, it responds to the informant indicating receipt and, if necessary, requests additional information. Then, it is determined whether the case is appropriate or not and if it is decided to carry out an investigation. At this

point, those areas that are considered necessary to develop the investigation are involved and the convenience of adopting precautionary measures or not is considered while the investigation process initiated is substantiated and resolved.

- Since 2023, it began with the planning of workshops on Compliance policy instruments in order to promote compliance with the code of ethics.

About this report

At the Gasoducto de Morelos organization SAPI de CV we are convinced that responsible and sustainable management is the only way to respond to the commitments we have made with the stakeholders with whom we interact every day to guarantee the proper functioning of our business activities: transportation service and supply of natural gas. Therefore, anchored in our commitment, we make public our environmental, social and ethical performance, as well as our contribution to sustainable development during the last year.

Our sustainability report is published annually. This report covers the period between 2022 – 2023 with scope to the organization's corporate headquarters in Morelos. This report has been prepared based on the GRI Standards (Global Reporting Initiative) taking into account the GRI principles for sustainability reporting.

The information provided in this document comes from the various management systems as well as from our sustainability and operations areas. These departments share their information with management, which is responsible for coordinating this report.