



## Energy for Mexico



**2014**  
SUSTAINABILITY  
REPORT

# Content

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# Letter from the Chairman of the Board and Chief Executive Officer

[G4-1, G4-2, G4-3, G4-7]

The route towards sustainability has led us to tighten links and form alliances with our stakeholders that enable us to leave a better environment for the coming generations. We know that the construction of a sustainable future is the responsibility of all of us. Therefore, to continue being successful in a sustainable manner, at IEnova we work under the highest standards of operation, environmental protection and conservation, community development, employment practices, ethics and corporate governance.

Our commitment to sustainability implies guiding all our actions towards the generation of value for our business, as well as for our stakeholders.

2014 was a year full of challenges, which we concluded with important achievements and business opportunities. We obtained positive sustainable and financial operating results. We finished the construction and started the commercial operation of Los Ramones I, as well as the first phase of the Gasoducto Sonora. We were awarded the Ojinaga-EI Encino gas pipeline contract and we consolidated the Energía Sierra Juárez wind park business in conjunction with InterGen.

Also in 2014, we published our first Sustainability Report and we were listed for the first time on the Mexican Stock Exchange's ("BMV") Sustainability Index. Our progress in sustainability reflects the professionalism, talent and the effort of our employees.

Thanks to all IEnova's employees, we obtained the Great Place to Work Certification as one of the Best Companies to Work For in Mexico. Also, the Mexican Philanthropy Center (CEMEFI) granted us the Socially Responsible Company Award for the first time.

We work under a process of continuous improvement that strengthens our competitiveness, drives our growth and generates value through each line of action. Our staff increased by 17% to reach 581 at the end of 2014, which represents an important increase that ensures that we have the necessary human capital to implement our plans for growth.



We are ready to continue generating value through the projects that contribute to the growth of Mexico.

In 2014, we also reinforced our Environmental Management and Health and Safety Systems and we consolidated the organizational structure to ensure better sustainability management. We continue to implement our projects on time and budget, with safety and in compliance with regulations to achieve a sustained growth.

Today, IEnova is positioned as a leader of the energy infrastructure business in Mexico. Because of this, we renew our commitment to face the challenges in an ethical and sustainable manner.

We are ready to continue generating value through the projects that contribute to the growth of Mexico.

Sincerely,

**Carlos Ruiz Sacristán**

Chairman of the Board and Chief Executive Officer  
Infraestructura Energética Nova, S.A.B. de C.V.



**Carlos Ruiz Sacristán**

Chairman of the Board and Chief Executive Officer  
Infraestructura Energética Nova, S.A.B. de C.V.

# About this Report

[G4-28, G4-30, G4-33]

[G4-17, G4-20, G4-21, G4-22, G4-23]

For the second consecutive year, we present our Sustainability Report, through which we renew our commitment to transparency, continuous improvement and the generation of value for our stakeholders. The Report summarizes the sustainable performance in 2014 of our Gas and Power business segments: natural gas and LPG storage and transportation, LNG storage, natural gas distribution and power generation.

The information presented covers the period from January 1 through December 31, 2014. The Report was prepared under the Global Reporting Initiative (GRI) methodology, for the first time in its G4 version, with option of "Essential" conformity, as well as the inclusion of indicators of the oil and gas sector supplement.

As part of IEnova's culture of continuous improvement, in 2014, we strengthened the Materiality Study that will enable us to measure the efforts in the most relevant areas for our business and its stakeholders.

The indicators which comprise aspects related to materiality, scope and participation of stakeholders (G4-17 to G4-27) were duly placed both in the GRI index and within this report, obtaining therefore the "Materiality Disclosure Service" stamp. To learn about the methodology used, please consult the Materiality section of this Report.

The different chapters of the Report describe the formulae used for the calculation of indicators and methodologies. The operative units on which information is reported are also specified. In terms of the Gas segment, unless otherwise indicated, IEnova's consolidated performance data does not include data of the assets belonging to Gasoductos de Chihuahua, which is a joint venture with Pemex Gas y Petroquímica Básica (PGPB) and in which IEnova has a 50% stake. Equally, in the Power segment, unless otherwise indicated, the Report does not consolidate the data of Energía Sierra Juárez, which is a joint venture with InterGen, in which IEnova has a 50% stake.

For the first time, an independent third party verified 30 material indicators of the Sustainability Report.

The Report is a translation from the original version in Spanish. In case of discrepancy, the Spanish version prevails.

For more information, we invite you to read our Sustainability Report 2014 and to visit our website: [www.ienova.com.mx](http://www.ienova.com.mx)

**IEnova, Energy for Mexico**

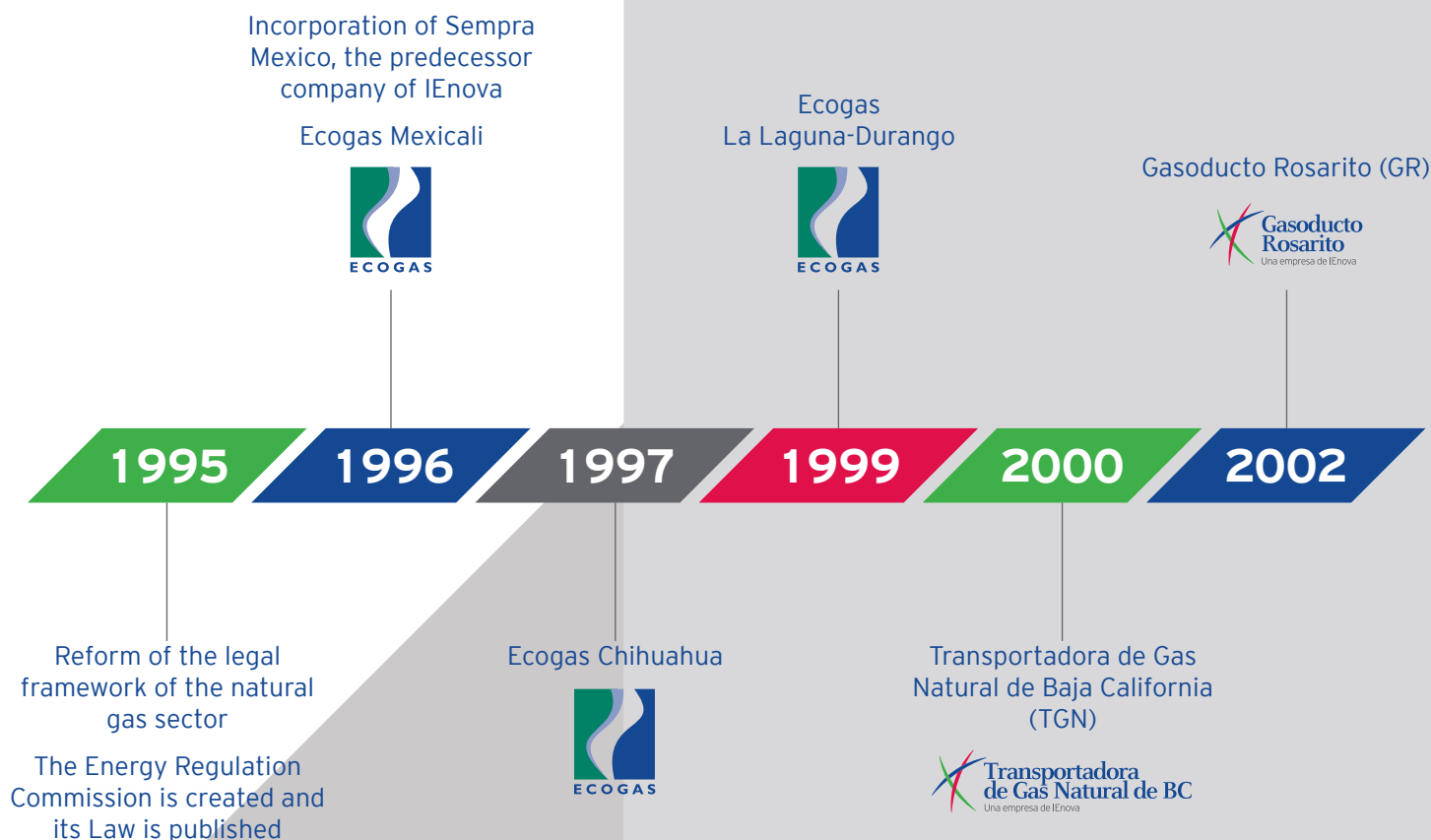
# IEnova in Mexico



**We focus our efforts on the development, construction and operation of energy infrastructure. Thanks to this, we are the benchmark of quality and innovation, consolidating ourselves as the leaders of our sector in Mexico.**

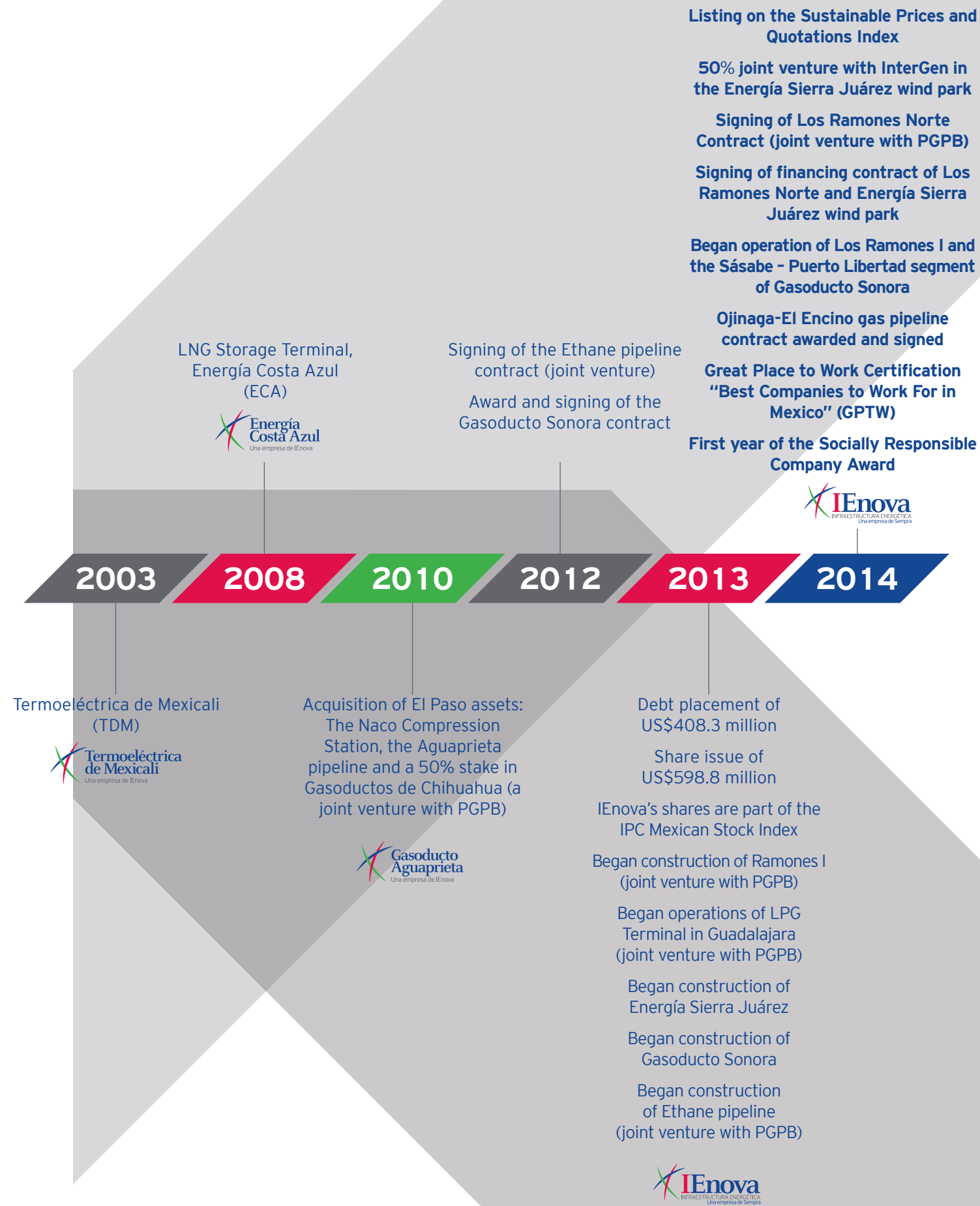
# IEnova's History of Leadership [G4-15]

Over the years, we have defined a state-of-the-art profile that sets us apart in the energy sector in Mexico. Proof of this is that in March 2013, we became the first company of our kind to be listed on the Mexican Stock Exchange ("BMV"). Also in 2014, we were among the best-performing companies on said Index.



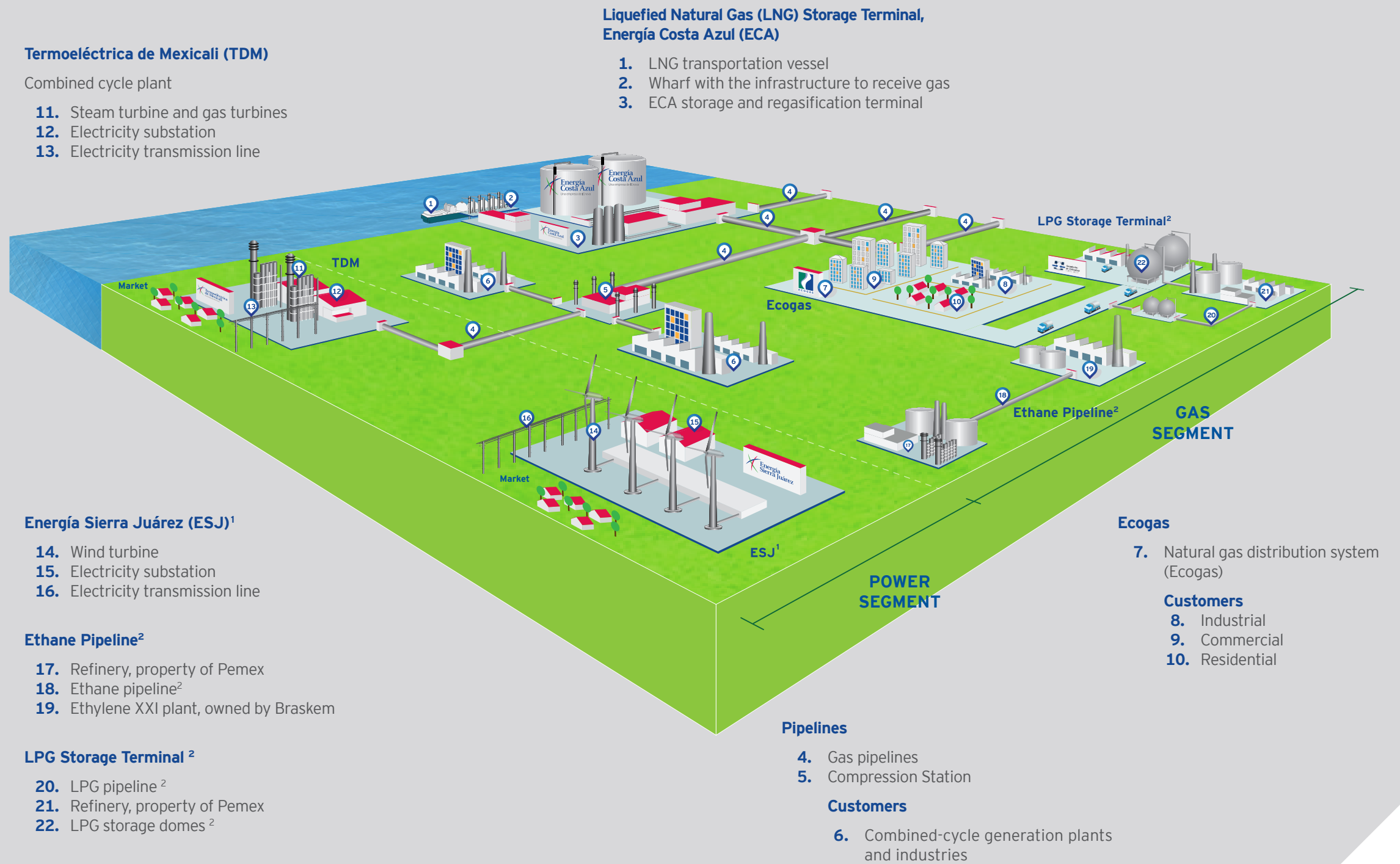
As proof of our commitment to maintain our leadership, we ended 2014 with two historic achievements. In November, we were awarded the Federal Electricity Commission's contract to develop 220 kilometers of the Ojinaga-El Encino pipeline. On December 2, we started operations in the Sásabe - Puerto Libertad segment of the largest private gas pipeline construction project in the country, the Gasoducto Sonora, which will be more than 800 kilometers long. These facts demonstrate the solidity and commitment we have as a Company.

Also in 2014, analysts engaged by the Mexican Stock Exchange ("BMV") evaluated our environmental, social and corporate governance practices. As a result of this evaluation, we were listed for the first time on the Mexican Stock Exchange's ("BMV") Sustainable Prices and Quotations Index.



# Our Activities [G4-8]

We develop, build and operate energy infrastructure through different business lines.



- More than 2,500 km\* of natural gas, LPG and ethane pipelines
- Storage capacity of 320,000 m<sup>3</sup> of natural gas and 80,000 barrels of LPG
- 3,524 km of natural gas distribution pipelines and more than 100,000 customers in seven cities within three geographical distribution regions: Mexicali, Chihuahua and La Laguna-Durango
- First private ethane pipeline system in Mexico

- 625 MW of installed capacity to produce electricity at the combined-cycle thermo-electrical plant in Mexicali
- The first cross-border electricity generation wind facility using renewable energy sources: **Energía Sierra Juárez**, with a capacity of 155 MW

<sup>1</sup>An asset belonging to the joint venture with InterGen, in which IEnova has a 50% stake.














<sup>2</sup>Assets belonging to a joint venture with Pemex Gas y Petroquímica Básica (PGPB), in which IEnova has a 50% stake.

\*Total kilometers of pipelines in operation + under construction + joint venture.





# Business Segments [G4-4, G4-6, G4-13]

At IEnova, we develop, build and operate energy infrastructure in Mexico through two business segments: Gas and Power.

## Assets in Operation

	Name	Characteristics	
Gas	 Gasoducto Sonora (Sásabe - Puerto Libertad segment)	220 km	
	 Gasoducto Rosarito (GR)	302 km	
	 Transportadora de Gas Natural de Baja California (TGN)	45 km	
	 Gasoducto Aguaprieta (GAP)	13 km	
	 Naco Compression Station	14,340 hp	
	 Ramones I Gas Pipeline*	114 km	
	 San Fernando Gas Pipeline*	114 km	
	 Samalayuca Gas Pipeline*	37.7 km	
	 TDF LPG pipeline*	190 km	
	 Storage in the Terminal de Gas L.P. de Guadalajara *	80,000 bl	
Storage	 Natural gas storage and regasification terminal, Energía Costa Azul (ECA)	320,000 m <sup>3</sup>	
	Distribution	 ECOGAS	3,524 km natural gas distribution pipeline 106,221 customers
		Thermoelectrical	 Termoeléctrica de Mexicali (TDM)

## Projects in construction and development [OG3]

Name	Characteristics	Description
Gas Pipelines	Sonora Pipeline 	835 km 36" and 30" diameter Capacity of 770 mpcd Natural gas transportation pipeline consisting of two interconnected segments located in the States of Sonora and Sinaloa. 220 kms started operations at the end of 2014 and 615 kms are currently under construction. The operation date of the entire pipeline is scheduled for the third quarter of 2016.
	Ojinaga - El Encino 	220 km 42" diameter Capacity of 1,356 mpcd Natural gas transportation pipeline that goes from the Waha-Presidio pipeline located on the US border to El Encino in the State of Chihuahua. The operation date is scheduled for the first quarter of 2017.
	Ethane Pipeline* 	224 km Total combined capacity of 151.9 mpcd First private ethane transportation system in Mexico. It will transport ethane from PEMEX's processing installations in Tabasco, Chiapas and Veracruz to the ethylene and polyethylene polymerization plant Etileno XXI located in Veracruz. The commercial operation date of the first segment is scheduled for January, the second segment for May and the third segment for June 2015.
Power	Energía Sierra Juárez** 	155 MW Wind Park The first cross-border power generation project using renewable sources in Mexico. Operations are expected to start in first quarter 2015.

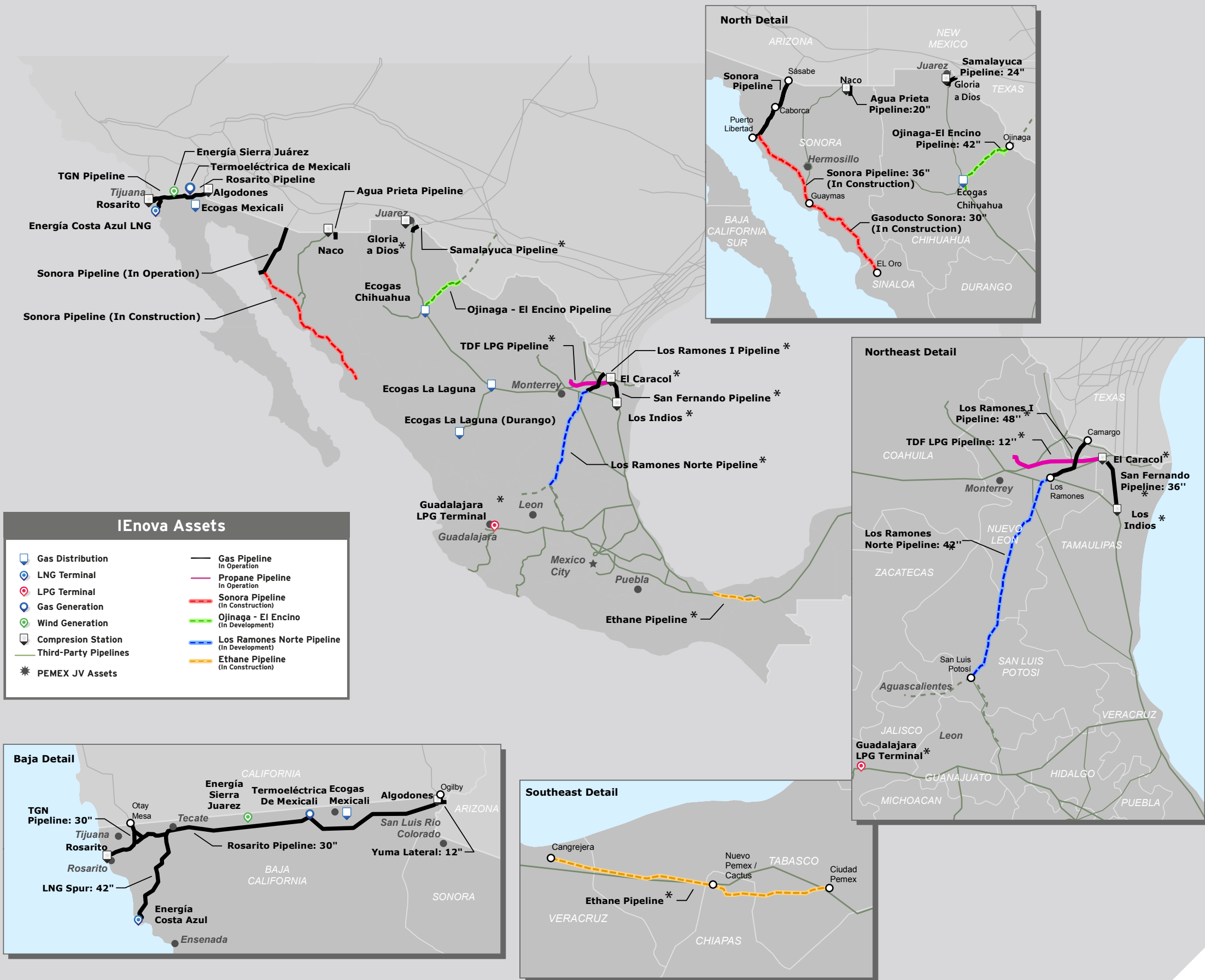
\*Assets belonging to a joint venture with Pemex Gas y Petroquímica Básica (PGPB), in which IEnova has a 50% stake.

\*\*An asset belonging to the joint venture with InterGen, in which IEnova has a 50% stake.



# Our Assets [G4-8, G4-13]

With highly trained staff, we are ready to take advantage of the business opportunities generated by the new legal framework of the energy sector and to reaffirm our position as innovators in the business segments.



# We are IEnova

We work with ethics, safety, respect and commitment.



We are committed to follow our Mission and Vision, as well as apply the values that govern our daily activities.

# Mission

To develop, construct and operate energy infrastructure, thereby contributing to Mexico's development and creating value for our shareholders, within a framework of ethics, safety, respect and commitment to our employees, the environment and the communities to which we belong.

# Vision

To be a leading energy infrastructure company in Mexico that contributes to promoting the country's sustainable growth, competitiveness and development.

# Values [G4-56]



# We are a Sustainable Company

The objective of our sustainability strategy is to generate value for the Company's, shareholders, employees, clients and the communities in which we operate. Our sustainability strategy is based on three fundamental pillars: economic, social and environmental, and on ethical and Corporate Governance bases.

## Pillars of Action

<b>Environmental</b>
Clean and efficient energy sources
Environmental culture
Comprehensive waste and emissions management
Biodiversity
<b>Social</b>
Comprehensive employee development (professional and personal)
Diversity and inclusion
Economic and community development
Health and Safety
<b>Economic</b>
Maximizing value for shareholders
Efficient use of resources
Comprehensive risk management
Operational integrity and reliability
Customer satisfaction
<b>Ethical Culture and Corporate Governance</b>



## Sustainability Management

[G4-25, G4-34, G4-48, G4-49]

In accordance with our Sustainability Policy, the Sustainability Committee and the following Commissions is the structure through which we implement our actions:

- Human Capital
- Engineering and Operation, Environment and Occupational Safety
- Community Relations

The Committee is chaired by the Vice-President of Corporate Affairs and Human Capital. It establishes IEnova's sustainability directives, approves the strategy and ensures that the three Commissions meet their respective objectives.

At its quarterly meetings, the Sustainability Committee followed up on the challenges set for 2014. In addition, the Committee Chairman presented the progress made to our Board of Directors.

In 2014, we developed the Bylaws of the Sustainability Committee. The Bylaws define the Committee's work methods and the channels of communication with the Board of Directors.

For further information, we invite you to read our Sustainability Policy available at [/www.IEnova.com.mx/sustentabilidad-informes-politicas.html](http://www.IEnova.com.mx/sustentabilidad-informes-politicas.html)

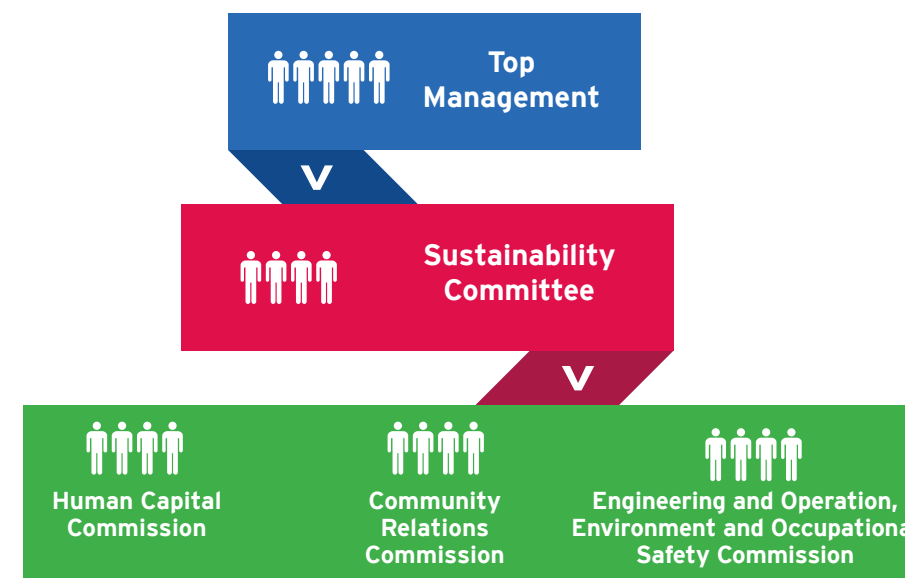


We create and generate value through three pillars: economic, social and environmental. On Ethical and Corporate Governance bases.

## Sustainability Model [G4-25]



## Sustainability Management Structure



## Stakeholders [G4-24, G4-25, G4-26]

Constant communication is fundamental to establish, prioritize and address the issues relevant to our stakeholders. This strategy of on-going dialogue through different channels has made the relationship of mutual benefit with them possible.

### Human Capital

### Shareholders and Investors

### Clients and Consumers

### Suppliers

### Governmental Authorities and Regulators

### Community

### Media

### Non-Governmental Organizations and Civil Organizations

### Strategic Partners

Color code to indicate the frequency of the communication channels with the stakeholders.

- **Blue**  
Permanent
- **Red**  
Annual
- **Green**  
As required
- **Grey**  
Quarterly

Communication channels	Human Capital	Shareholders and Investors	Clients and Consumers	Suppliers	Governmental Authorities and Regulators	Community	Media	Non-Governmental Organizations and Civil Organizations	Strategic Partners
Live meetings	●	●	●	●	●	●	●	●	●
Employee satisfaction surveys	●								
Means of complaint/ telephone line	●	●	●	●	●	●	●	●	●
Shareholders' Meetings		●							
Customer satisfaction surveys			●						
Internal and external consultations management	●	●	●	●	●	●	●	●	●
Web page	●	●	●	●	●	●	●	●	●
Intranet	●								
Sustainability Report	●	●	●	●	●	●	●	●	●
Annual Financial Report	●	●	●	●	●	●	●	●	●
Quarterly Financial Report		●			●				
Internal newsletters	●								
Publication of relevant events	●	●	●	●	●	●	●	●	●
Review of collective contract	●				●				
Surveys	●		●						
Guided industrial visits	●	●	●	●	●	●	●	●	●
<b>Expectations</b>	Development and training, evaluation, remuneration, quality of life in the workplace	Growth, profitability, development, sustainability	Service quality, safety and price	Development, commercial conditions, long-term relationships	Compliance with the law and regulations, development, sustainability	Safety and development	Information	Development, sustainability, regulatory compliance	Growth, sustainability, improved operation

[G4-26]



**At IEnova, our employees are the base of our success.**

[G4-26, G4-27]

[G4-26, G4-27]

Stakeholders	Current response actions
<b>Human Capital</b>	Participate in the Great Place To Work Institute's employment climate study. Develop training plans for "IEnova's Leadership Standard" Certification. Review our compensation packages and keep them competitive within the industry standards. Personnel development programs.
<b>Stockholders and Investors</b>	Remain part of the Mexican Stock Exchange's ("BMV") Prices and Quotations Index and the Sustainable Prices and Quotations Index. On-going management of information via the Investor Relations Department.
<b>Customers and Consumers</b>	Generate satisfaction surveys for the Pipeline and Distribution business units. Obtain ratings above 90% in these surveys.
<b>Suppliers</b>	Identify the key suppliers that comply with the sustainability factors. Define the sustainability factors desired in IEnova's key suppliers. Inform our "key" suppliers of the sustainability requirements established in our Purchasing Policy. Train IEnova's purchasing team in sustainability issues.

Stakeholders	Current response actions
<b>Governmental Authorities and Regulators</b>	100% of our assets certified or in the process of "Environment Quality " or "Clean Industry" recertification by the Federal Environmental Protection Agency (PROFEPA). Comply rigorously with the regulation applicable to our assets in operation and projects in construction. Participate in associations related with the business activity.
<b>Community</b>	Implement aid programs in the different communities of which we are part. Ensure safe operations. Respect the traditions of indigenous peoples.
<b>Media</b>	Have updated information in different channels.
<b>Non-Governmental Organizations</b>	Respect the traditions of indigenous peoples. Maintain an efficient operation in the Ensenada Trust and the Sásabe - Guaymas Trust. Incorporate and operate the IEnova Foundation.
<b>Strategic Partners</b>	Promote and comply with Corporate Governance best practices.



Sonora Pipeline Stockyard

## Materiality [G4-18, G4-19, G4-20, G4-21, G4-22, G4-23, G4-29, G4-DMA]

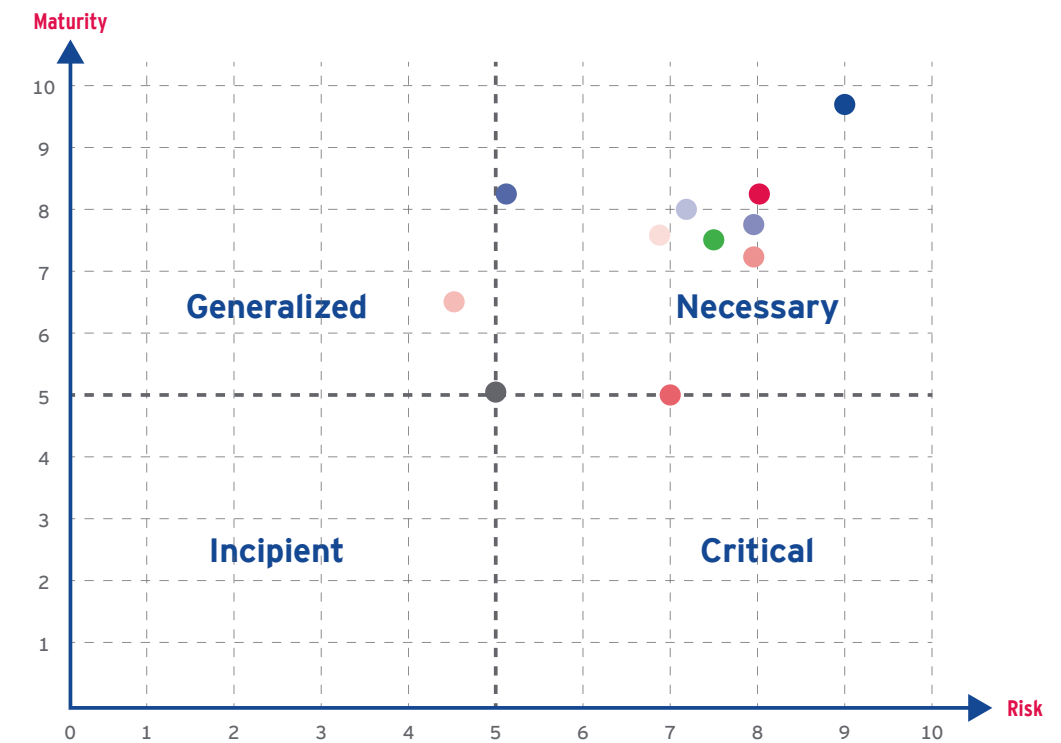
Defining the material issues enables us to concentrate our efforts to achieve greater efficiency within the context of sustainability.

We updated the Materiality Study prepared in 2014. The results show the relevant issues that we must transmit to our stakeholders based on the level of risk that they can represent for the Company and the level of maturity with which these issues are dealt with at IEnova.

This qualitative and quantitative analysis of all the business areas – Natural Gas Storage, Pipeline, Distribution, Power Generation and Corporate– reviewed the internal processes within the context of sustainability (economic, environmental and social approach). Interviews were held with executives in key areas, the analysis of the media and public opinion, the study of the best international practices and the analysis of congruence with the strategy.

[G4-18, G4-19, G4-20, G4-21, G4-22, G4-23]

We applied the Great Place To Work Institute of Mexico standard to measure the employee's environment through questionnaires answered by our employees. The results were presented in each business unit and exercises were conducted in each session with employees to prioritize the areas of opportunity identified from the study. We also considered the results of the Distribution customer satisfaction survey and for the first time we applied the study to the Pipeline customers. The results of the studies set out the objectives and action plans for 2015.



### Internal affairs

- Strategy
- Standards and regulation
- Safety management in operations
- Ethics in the business operation
- Development of human capital
- Finances
- Development of policies and crisis management
- Operations and environment
- Energy Reform

### External affairs

- Safety management in operations
- Operations and environment
- Society and community
- Development of the value chain
- Energy Reform

# Sustainability Progress and Challenges [G4-DMA]

Risk Management and Corporate Governance			
Topic	Challenge 2014	Progress	Challenge 2015
Risk Management	Implement an Integrated Risk Management System (economic, environmental and social).	●	Continue the Integrated Risk Management System's implementation.
Corporate Ethics	✓		Annually review and if necessary, update the Code of Ethics.
Information Privacy	Develop and circulate the privacy policy to all IEnova's employees.	●	Monitor privacy policy's compliance.
Institutional Relations	✓		IEnova's adhesion to the Global Compact of the United Nations.

Economic Pillar			
Topic	Challenge 2014	Progress	Challenge 2015
Customer Satisfaction	Annually apply, in Distribution and Pipelines, the Customer Satisfaction Survey and get a 90% score.	●	Continue applying the annual Customer Satisfaction Survey in Distribution and Pipelines.
Supply Chain	✓		Inform key suppliers of the sustainability requirements of our Purchasing Policy.
	✓		Establish the minimum sustainability subjects desired in all key suppliers.

Social Pillar			
Topic	Challenge 2014	Progress	Challenge 2015
Health and Safety	Implement the updated Health and Safety Management System.	●	Implement the updated Health and Safety Management System.
	Consolidate and communicate the Health and Safety Culture.	●	Continue the Health and Safety Culture communication program.
	Obtain the Ministry of Labor and Social Welfare "Safe Company" certificate in all IEnova's operative units within 12 months after starting operations.	●	Obtain or maintain the Ministry of Labor and Social Welfare "Safe Company" certificate in all IEnova's operative units within 12 months after starting operations.
	✓		Reach the accident rate objectives set for: Total Recordable Incident Rate (TRIR): 2.29 Lost Time Accident Rate (LTAR): 1.73.
Employees	Design the "IEnova Employees Strategic Development Plan".	●	Implement the "IEnova Leadership Standard" certification.
	Participate in the Great Place to Work 2014 Program to focus the organization on the best practices in the Mexican market and ensure continuity to the International Organizational Climate and Culture program.	●	Improve the Great Place to Work survey's rating.
Diversity and Equal Opportunities	Implement the Diversity and Inclusion opinion survey, analyze proposals and define the actions to be implemented in each operating and administrative unit.	●	Set up and operate IEnova's Development, Equality and Diversity Committee.
Community Relations	Identify and diagnose the needs, concerns and priorities of the communities of which we are part of.	●	Identify and diagnose the needs, concerns and priorities of the communities of which we are part of.
	Implement the grievance mechanism in all the operative units and management offices.	●	Implement the grievance mechanism in all the operative units and management offices.
	Develop social and volunteering programs in congruence with IEnova's sustainability pillars of action.	●	Continue the social and volunteering programs in congruence with IEnova's sustainability pillars of action.
	✓		Incorporate and operate IEnova's Foundation.

Environmental Pillar			
Topic	Challenge 2014	Progress	Challenge 2015
Environment	Set up water, power and waste reduction targets.	●	Reduce the generation of hazardous waste by 5.0%. Reduce the generation of non-hazardous waste by 7.5% (excluding sludge in TDM's waste water treatment plant). Set up targets for the efficient use of water and power.
	Develop a corporate waste management program and strengthen the programs in each operative unit.	●	Develop the "Sustainable Office" program (waste management) in all its operative units.
	Obtain the Clean Industry or Environmental Quality certificate from the PROFEPA in all IEnova's operative units within 12 months after starting operations.	●	Obtain or maintain the Clean Industry or Environmental Quality certificate from PROFEPA in all IEnova operative units within 12 months after starting operations.
	✓		Prepare Corporate environmental performance reports for each operative unit.
	✓		Define IEnova's Climate Change strategy.
	✓		Obtain the OHSAS:18001 certificate at Energia Costa Azul.
	✓		Obtain the ISO:9001, ISO:14001 and OHSAS:18001 certificates for Pipelines.

- Achieved
- In progress
- First stage achieved, in progress in 2015
- Rescheduled for 2015

✓ New Challenge for 2015



We are working towards sustained growth, caring for the environment and developing long-term and mutually beneficial relationships with our stakeholders.





# We Create Value

Assets in operation certified or in the process of "Environment Quality" or "Clean Industry" recertification by the Federal Environmental Protection Agency (PROFEPA):



**100%**

IEnova's Employees: **581**



Percentage of our staff with an annual performance evaluation: **100%**



Investment in the community, the environment, safety, health and compliance:

**USD \$4.6 million**

Hours of training: **16,451**

Increase compared to 2013: **65%**



Revenue annual growth: **21.4%** compared to 2013



Km of natural gas, LPG and ethane pipelines:

**More than 2,500 km**



**More than 3,500 km** of natural gas distribution pipelines

Assets in operation in the Ministry of Labor and Social Welfare (STPS) Safe Company-Occupational Health and Safety Self-Management Program:



**100%**



**More than 100,000** customers in seven cities in Baja California, Chihuahua, Durango and Coahuila

Sonora Pipeline

# Risk Management and Corporate Governance



**At IEnova, risk management is a fundamental element of the Company's business and sustainability strategy. It ensures the continuity of our operations over time, as well as the generation of added value for our stakeholders.**

## Integrated Risk Management System [G4-14]

Through a dynamic and interactive process, we prepared a catalog to identify, evaluate and mitigate the risks that could affect the achievement of our objectives.

In 2014, we commenced the implementation of an integrated economic, social and environmental risk management system, which is composed of the following phases:

- The preparation of a risk inventory
- The prioritization of the 38 most important risks
- The development of action plans
- Implementation
- Follow-up on the implementation of the action plans that mitigate the Top Risks
- Creation of the Risk Committee
- Review of the Risk Management Policy

Specifically, in June 2014, we developed a risk inventory and conducted workshops with the different areas of the Company to classify them based on their impact and the likelihood of occurrence.

The Risk Committee was created in 2014. It establishes the guidelines to be followed by the Risk Management System. The Committee also authorizes the roles and responsibilities of the areas and processes involved, the policies and guidelines concerning risks and their respective implementation.



Termoeléctrica de Mexicali (TDM)

“With an integrated risk management and high standards of performance, we work constantly to achieve excellence.”



Energía Costa Azul (ECA)

## Risk Management [G4-14, G4-45, G4-47]

At IEnova, we have risk management mechanisms based on advanced methodologies that allow us to identify, measure, manage, report and monitor them to prevent them from affecting the achievement our strategic, operational, compliance and financial objectives. This promotes a culture of risk awareness and strengthens our control environment.

IEnova 's Risk Management System is based on COSO II: ERM framework and develops the following components: strategic planning, risk appetite, identification and evaluation of risks, response and control activities, monitoring, communication and performance evaluation, as well as the periodic review of efficiency.

To comply with the foregoing, our Risks Department reports progress and findings to the Board of Directors and the Chief Executive Officer every quarter.

The Board of Directors reviews and discusses the findings and advises the directors in order to take the appropriate decisions. This structure is guided by the principles of independence, risk culture, the definition of the risk appetite, transparency and on-going improvement.

## Risk Categories and Descriptions [G4-14]

Category	Description
Financial and disclosure	In accounting transactions, financial reports, treasury activity, market, credit, exchange rate, interest rate, goods price, fluctuation and financial risks, as well as the risk of fraud.
Operational	Associated with the planning, development, construction, use, physical protection and support of the Company's infrastructure. Information Technology risks, including strategy, project management, supplier relations, privacy, information security, cybernetic security, resumption of business and the impact on business.
Environmental, regulatory and compliance	Related with regulatory issues and their compliance.
Health and Safety	Compliance issues related to Health and Safety, including those related to Occupational Health and Safety management requirements.
Reputational	Associated to the loss of revenue, share value and consumer or key stakeholder trust: employees, shareholders, clients, regulators, investors, unions, suppliers, members of the Board of Directors, community groups, business partners, the authorities and the media.

IEnova's operations are subject to strict regulation because we are exposed to significant risks related to the use, storage, transportation and disposal of inflammable materials.

Therefore, we have insurance policies that cover all our assets. These policies cover assets, civil liability, environmental liability, interruption of operations, additional liability, terrorism and sabotage. All the policies are subject to an amount deductible in proportion to the potential loss of revenues, increases in costs or repair or replacement costs generated by partial or total write-offs of the installations or by prolonged interruption of operations.

“ Governed by a framework of ethics and values, we work daily in order to offer our customers clean, safe and reliable energy.

## Corporate Ethics [G4-56, G4-S04]

At IEnova, we conduct ourselves in accordance with our Code of Ethics, which includes a series of institutional values that define how we interact with our different stakeholders.

Our values are:

- Ethics
- Respect
- Excellent performance
- Forward-looking vision
- Being a responsible partner

All our employees must read, be familiar with and sign our Code of Ethics, as well as attend the annual ethics and standards compliance training sessions.

In order to extend the sustainability to our value chain, all IEnova's suppliers, contractors and service providers are required to sign their agreement with and awareness of our Code of Ethics.

In 2014, we strengthened our Corporate Ethics Department by increasing the size of the work team in this area. This year, we adapted the anticorruption policies and procedures for IEnova, which are in accordance with the anticorruption guidelines, including the US Foreign Corrupt Practices Act. We also developed the 2015-2017 work plan, which will be reviewed annually and we proposed the use of an Ethics Policy in the Company's joint businesses. As a result of this work, the Corporate Ethics Policy and Anti-Corruption Procedure applicable to IEnova will be updated. We will also strengthen the communication and understanding of the Code of Ethics with a training program to be attended by all IEnova's employees.





[G4-57, G4-58]

All IEnova's employees are required to comply with the applicable national and international anti-corruption and anti-bribery laws. These include the Federal Public Procurement Anti-Corruption Law in Mexico, the US Foreign Corrupt Practices Act and the Organisation for Economic Co-operation and Development's (OECD) Convention Against Corruption among Public Officials in International Commercial Transactions. In order to ensure their compliance, all transactions and the disposition of assets in the Company are constantly registered and monitored.

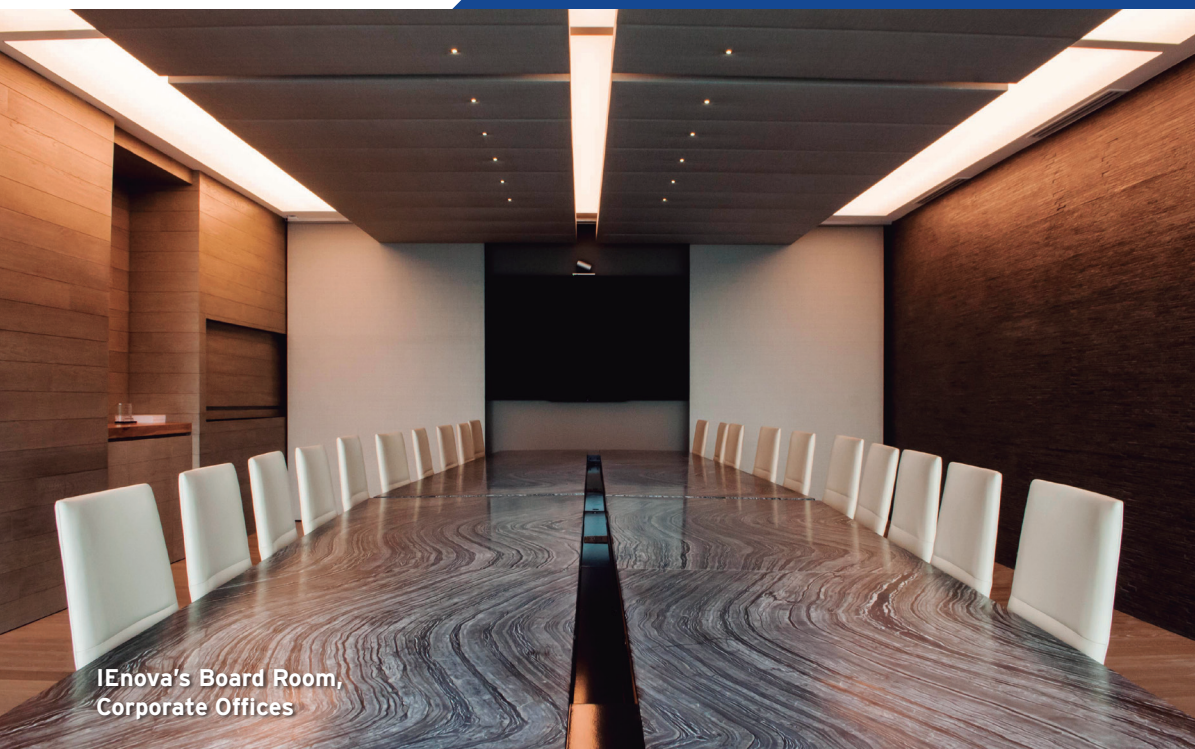
We have an Ethics Committee that meets monthly. The Committee rules on all claims related to alleged breaches of the Code of Ethics received through the Company's different reporting channels.

To guarantee the due application of the Code of Ethics, IEnova has the following reporting channels available 24 hours a day, seven days a week:

- IEnova's complaint line: 01800-062-2107
- Confidential email: [ienova@lineadedenuncia.com](mailto:ienova@lineadedenuncia.com).
- Web page: [lineadedenuncia.com/IEnova](http://lineadedenuncia.com/IEnova).
- SEMPRA's Ethics and Compliance Line: 01800-241-5689
- Web page: <https://iwf.tnwgrc.com>

In order to ensure confidentiality and impartiality, the "IEnova Contigo" complaint line is managed by a third-party in order to report anonymously any conduct that contravenes the organization's philosophy and values.

23 cases were reported via the "IEnova Contigo" complaint line in 2014, all of which were analyzed and resolved promptly.



IEnova's Board Room, Corporate Offices

## Corporate Governance [G4-34, G4-38]

IEnova's Corporate Governance consists of the Board of Directors and two Committees: The Corporate Practices Committee and the Audit Committee. Our Corporate Governance practices comply with the regulations applicable to listed companies in Mexico, the provisions of both the National Banking and Securities Commission and the Mexican Stock Exchange, as well as the recommendations of the Code of Best Corporate Governance Practices of the Consejo Coordinador Empresarial de México (Business Coordinating Board of Mexico).

## Board of Directors [G4-39, G4-40, G4-41, G4-44, G4-LA12]

The Board of Directors is composed of nine owner-members, three of whom are independent in accordance with the Securities Market Law. Our Board Members have proven experience and reputation in areas such as energy, finance, international relations, public policy, transportation, as well as an overall view of the industry and the business. With their broad experience, the Board Members provide valuable oversight to our Company. Additionally, the Board reviews the business plans and performance, the integrated risk management and the succession plan, the advances made in sustainability, as well as establishing the Corporate Governance guidelines that lead IEnova in its operation.

Carlos Ruiz Sacristán*	Chairman
Andrés Conesa Labastida	Independent Member
Jeffrey S. Davidow	Independent Member
Aarón Dychter Poltolarek	Independent Member
Joseph A. Householder	Member
Arturo Infanzón Favela	Member
George Sam Liparidis	Member
Luis Eduardo Pawluszek	Member
Mark Alan Snell	Member
James H. Lambright	Substitute member
Randall Lee Clark	Non-member Secretary
René Buentello Carbonell	Non-member Assistant Secretary
Rodrigo Cortina Cortina	Non-member Assistant Secretary

\* Also Chief Executive Officer.

## Corporate Practices Committee [G4-39, G4-40, G4-44]

The Corporate Practices Committee assists the Board of Directors by submitting opinions and recommendations, assists in the preparation of financial and accounting guidelines report, as well as in the preparation of reports for the annual shareholders' meeting. The Committee also advises the Board of Directors on the appointment of the Chief Executive Officer and other members of the senior management, as well as their responsibilities and remunerations. The Corporate Practices Committee also requests and obtains the opinion and recommendations of independent experts, to assess the fairness of prices and market conditions for related - party transactions and call shareholders meetings.

The Corporate Practices Committee is comprised by 75% of independent members:

Andrés Conesa Labastida	Chairman**
Aarón Dychter Poltolarek	Member**
Jeffrey S. Davidow	Member**
Arturo Infanzón Favela	Member

\*\* Independent Member, pursuant to the terms of the Securities Market Law.

## Audit Committee [G4-LA12]

The Audit Committee assists the Board of Directors by submitting reports on internal controls and recommendations, reports all irregularities detected; supervises and analyzes the work and reports of the external auditors, as well as the companies' financial statements. It also assists the Board in preparing the reports. The committee also receives and analyzes the proposals and comments made by shareholders, directors, key executives, external auditors or third parties; call shareholders meetings and supervise related-party transactions to ensure that all comply with the law.

All the members of the Audit Committee are independent.

<b>Aarón Dychter Poltolarek</b>	<b>Chairman**</b>
Andrés Conesa Labastida	Member**
Jeffrey S. Davidow	Member**

IEnova also has an Ethics Committee, which reports to the Audit Committee.

## Ethics Committee [G4-56]

This Committee reports to the Audit Committee the reception of alleged breaches of the Code of Ethics. The Committee has a period of five days to rule on these allegations; however, in some cases, this may be extended for up to 30 days.

\*\* Independent Member, pursuant to the terms of the Securities Market Law.



IEnova's Corporate Offices

“ We oversee and instill adherence to our Code of Ethics in our employees' daily activities.”

## Institutional Relations [G4-16]

Our business activities are delimited by the regulatory provisions of and are supervised by the State through its administrative institutions: (the Ministry of Energy, the Energy Regulation Commission, the Ministry of the Environment and Natural Resources, the Ministry of Labor and Social Welfare and the recently created National Hydrocarbons Sector Industrial Safety and Environmental Protection Agency, among others). Our policy is to strictly comply with all the standards, laws and regulations applicable to us and maintain good relations with the authorities on a comprehensive basis.

This institutional communication includes energy companies, associations and other institutions related to the energy infrastructure.

As members of the energy sector, we participate in the following Associations and Chambers:

- American Chamber of Commerce of Mexico (AMCHAM)
- Asociación Mexicana de Gas Natural (AMGN)
- Asociación Mexicana de Energía (AME)
- Barra Mexicana Colegio de Abogados (BMA)
- Consejo Mundial de Energía Capítulo México A.C. (WECMEX)
- Instituto Mexicano de Ejecutivos de Finanzas (IMEF)
- Instituto Mexicano de Auditores Internos (IMAI)
- Asociación Chihuahuense de Administración de Personal (ACAP)
- Cámara Nacional de la Industria de la Transformación de Chihuahua, Gómez Palacio, in Torreón, Ensenada and Mexicali (CANACINTRA)
- Confederación Patronal de la República Mexicana de Ensenada, Hermosillo, Mexicali (COPARMEX)
- Colegio de Ingenieros Civiles de Chihuahua (CICCH)
- Comisión de Promoción Económica de Tecate (COPRETEC)
- Comisión de Promoción Económica de Ensenada (COPREEN)

IEnova's Corporate Offices



## Certifications and Awards

Sustainable IPC		
Great Place to Work "Best Companies to Work for in Mexico" (GPTW).		
Socially Responsible Enterprise Award		
ISO14001		
ISO 9001		
ISO 9001		

# Economic Pillar



**INova's solid growth allows us to continue investing to generate a constant economic benefit in different productive sectors. Though, we contribute to regional and national development.**

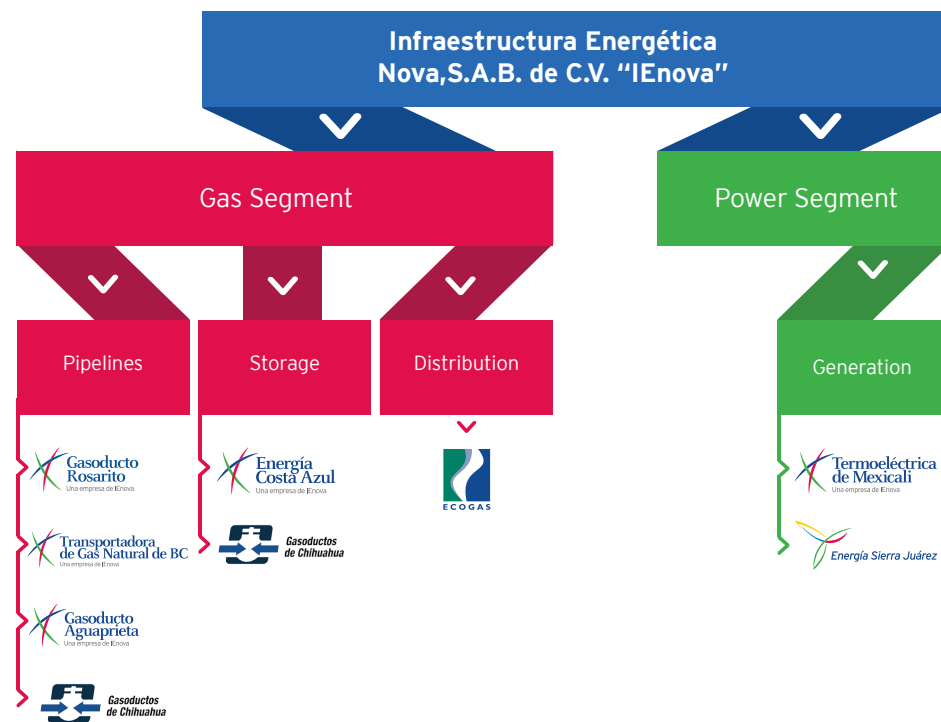
Sonora Pipeline



IEnova centers its operation in two business segments: Gas, which includes transportation and storage of natural and LP gas, LNG storage and natural gas distribution, and Power, which includes a natural-gas-fired, combined-cycle power generation facility and a wind power generation project currently in construction.

A summary of our corporate structure is shown below:

[G4-9, G4-17]



Gasoductos de Chihuahua: assets belonging to a joint venture with Pemex Gas y Petroquímica Básica (PGPB), in which IEnova has a 50% stake.

Energía Sierra Juárez: assets belonging to a joint venture with InterGen, in which IEnova has a 50% stake.

“ 79% of our economic benefit is achieved through local suppliers. ”

## Economic Benefit [G4-EC8, G4-EC9]

Our economic benefit is integrated into a virtuous circle that drives development and benefits several sectors in terms of: employment, training, demand for goods and services, investment and the payment of taxes.

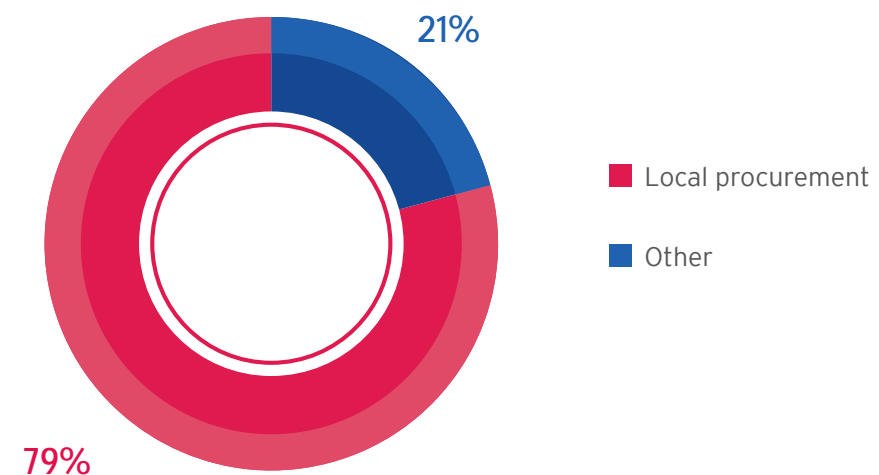
This benefits the following economic sectors, among others:

- Construction
- Steel
- Engineering services

The amount invested in 2014 exceeded USD\$745.4\* million. This investment was mainly in property, plant and equipment, which translated into a more modern and efficient infrastructure, thereby increasing our competitiveness, which is a relevant factor in the achievement of the Company's strategy and results.

In the same period, the generation of employment increased by 17.5%, from 496 to 581 direct employees, while indirect employment increased by 325%, from 1,600 and 2013 to 5,200 in 2014.

## Distribution of IEnova's suppliers





[G4-12]



## We Serve, Value and Incentivize Our Customers

At IEnova, we offer services that meet our customers needs. To achieve it, we work under a process of continuous improvement that strengthens our competitiveness, drives our growth, increases profitability and generates value through each pillar of action: economic, social and environmental.

[G4-8]

The above allows us to group our customers in accordance with our line of business:

**GAS**

**Pipeline**



PEMEX,  
Federal Electricity  
Commission



Private - sector  
thermoelectrical  
plants and industries.

C



Gas distributors

U



Exports to the  
State of California,  
USA

S

**Storage**



Industries and power  
generation plants in  
Baja California

T



PEMEX

O

**Distribution**

M

Total  
residential consumers

**103,633**

E

Total  
small businesses

**207**

R

Total  
large and industrial  
businesses

**2,381**

S



**POWER**



Exports to the  
State of California,  
USA



Through our experienced Customer Service team, we maintain continuous communication with households, businesses and industries in order to meet their needs and improve our service.



**Quality Management System [G4-PR2]**

To ensure the quality component of our service, for the last six years, our IEnova Distribution (Ecogas) Quality System has met the requirements of the ISO 9001-2008 standard, which specifies the maximum number of complaints about service quality that may be filed before independent bodies, such as the Federal Consumer Protection Agency (PROFECO). We will constantly monitor quality standards with the goal and commitment of achieving zero complaints.

**Call Center [G4-PR4]**

Our Call Center is a fundamental tool to monitor and listen to our customers. In 2014, we handled an average of 8,268 calls per month, which were classified mainly into re-connections, payment extensions, appointment confirmations or payment notices.

Category	2013	2014
Calls received	86,658	101,891
Calls handled	85,379	99,215
Average waiting time to attend calls(in minutes)	3.07	3.04

The Customer Service department is focused on the prompt follow-up of our users' requests by attending them based on the following criteria:

- Routine calls:
  - ✓ Attention in a maximum of 10 days
- Emergency calls:
  - ✓ Immediate attention

### Customer Service Control System [G4-PR4, G4-PR5]

As part of the service we offer to our customers, we provide them with service counters at the Mexicali, La Laguna-Durango and Chihuahua offices. In 2014, we served 58,962 users through the system, 9.7% more than in 2013.

Category	2013	2014
Customers served	53,729	58,962

Our service system provides statistics to monitor aspects such as: waiting times, attention times by service type and services per day. We analyze this information to measure and improve the service to our customers.



“ We strive to serve our customers with efficiency and human warmth.”



### Customer Satisfaction [G4-PR5]

In order to establish and improve the service, for the third consecutive year, we conducted a satisfaction survey of ECOGAS to residential customers in the cities of Chihuahua, Torreón and Mexicali. The conclusions, in terms of satisfaction, recommendation of the service and re-contracting, were ranked nine in a scale of 0-10.

In line with our culture of continuous improvement, we applied the satisfaction survey to the Pipeline business segment customers. The analysis of the results showed that in general customers are satisfied with IEnova's services, by obtaining a score of nine in a scale of 0-10. In 2015, we will work to complete the action plan defined to improve the service and our customers' perceptions towards the Company.

We apply this type of study on a frequent basis to find out the expectations of our customers, as well as to establish the areas of opportunity that they identify in the service we offer. Both surveys were conducted by a specialized external consulting firm.



## Promotion and Loyalty Programs

As a part of our business strategy, we want to incentivize and reward our customers' preference. Therefore, in the gas distribution business (Ecogas), we have promotion and loyalty programs to retain our existing customers and attract new ones. For example, the "Pay on time and win!" program rewards prompt payments.

We also run seasonal campaigns, such as the "Cool Summer" and the "Winter Program" at the end of the year. These permanent and seasonal programs respond efficiently to customers' seasonal needs.

## Operational Integrity and Reliability

Safety and integrity of our operations represent fundamental aspects of our activities.

The safety procedures are applied throughout the entire operating cycle: project conceptualization, construction, maintenance, infrastructure operation, work methodologies and the reception of the service by end-customers.

“ The safety and reliability of our operations ensure that our growth is steady, to a high level of quality and therefore, sustainable.

## Integrity Management Program

By providing comprehensive information of the status of the gas pipelines and considering the integrity, safety and the operation by continuous monitoring of the indicators, the Integrity Management Program (IMP) allows us to optimize working methods, detect areas of improvement as well as keep strict control of all the aspects that ensure normal operations. In the gas sector, the program ensures IEnova's infrastructure and operations work properly.

This program includes:

- The inspection of the gas pipeline systems
- The evaluation of the indicators obtained from the inspections
- The characterization of the indicators
- The evaluation of the characterization's results
- The classification by fault and severity
- The determination of the pipelines' integrity

The Integrity Management Program complies with the current standards and regulations in Mexico and the United States to assess, evaluate, repair and validate the integrity of pipeline segments. This helps us to identify any leak or failure that may impact inhabited areas or regions particularly sensitive to environmental damage.



## SCADA System

Using the SCADA system, we supervise, control and acquire data to monitor the field devices remotely and in real-time, thereby facilitating feedback and better management.

The system follows up on:

**Natural Gas Transportation:** The SCADA system guarantees the appropriate conditions for the transportation of natural gas by using equipment and devices that enable the remote operation of main line and emergency valves to facilitate rapid decision-making.

The foregoing is possible as the natural gas transportation control center operates 24 hours a day, 365 days a year and has fixed and cellular emergency telephone lines, as well as a radio system and satellite communication.

These channels of communication are tested continuously to ensure their correct operation.

**Natural Gas Storage:** The storage tanks have a system that monitors the density of the product stored to reflect its patterns of variables such as density, pressure and temperature.

**Natural Gas Distribution:** Using 41 devices items that provide real-time information, the SCADA system monitors, and if necessary, interferes in the processes to maintain the operation in optimum conditions.

**Power Generation:** Using 10 devices items, the SCADA system controls and supervises the generation of electricity in real-time in order for the processes to run in accordance with the established standards.



Termoeléctrica de Mexicali (TDM)

“ We grow with energy generating and distributing value to different sectors of society.”

## Economic Value Generated and Distributed<sup>1</sup> [G4-EC1]

	Figures expressed in thousands of US\$	
	2013	2014
<b>Economic value generated</b>		
a) Revenues	677,836	822,796
b) Interest income	1,372	3,299
c) Income from the sale of assets	0	25,900
<b>d) Direct economic value generated (a+b+c)</b>	<b>679,208</b>	<b>851,995</b>
<b>Economic value distributed</b>		
e) Operating costs <sup>2</sup>	427,278	541,682
f) Shareholders <sup>3</sup>	156,000	164,000
g) Payments of taxes and duties	80,935	137,886
h) Investments in the community, environment, safety, health and compliance <sup>4</sup>	1,399	4,606
<b>i) Economic value distributed (e+f+g+h)</b>	<b>670,647</b>	<b>848,174</b>
Economic value retained (d-i)	13,596	3,821

<sup>1</sup> This chart was prepared according to the guidelines provided by the Global Reporting Initiative.

<sup>2</sup> Operating costs, exclude depreciation, but include employees' salaries and benefits.

<sup>3</sup> Includes only share payments.

<sup>4</sup> Investments in the community include the corporate budget, the Ensenada Trust, the Sásabe - Guaymas Trust and the projects in construction of the joint venture with PGPB, Los Ramones I and the Ethane pipeline.



# Social Pillar



**At IEnova, we seek to strengthen and generate value in the communities we serve and belong to. We promote actions that foster the well-being of our employees through comprehensive development, health and safety, as well as diversity and inclusion.**

"Hands with Energy" Event, IEnova's employees

# Human Capital [G4-10]

## Management System

The employee is the most important element in ENova's culture. We work aligned with the highest safety standards.

Our operations adhere to the Official Mexican Standards and the national laws that govern us, such as the Federal Labour Law and the Social Security Law. We have an Internal Labor Regulation, the Code of Ethics and several policies and procedures that support and direct our employees in their daily activities at the Company.

Additionally, our management is aligned to international standards and practices such as the Occupational Health and Safety Advisory Services (OHSAS) and the International Organization for Standardization (ISO) in environmental and quality issues.



Occupational health and safety, risk management and the comprehensive training and development of our employees are fundamental elements in the Human Capital management at ENova. Through our system, we offer our employees safe and healthy working conditions in which they can perform their functions in an ethical manner, improve and acquire skills and be evaluated and remunerated competitively.

Our advances in the human capital development processes resulted that in the first year of application, the Great Place to Work Institute awarded us the recognition as one of the Best Companies to Work for in Mexico. To obtain this award, companies participated voluntarily by having their employees complete questionnaires to respond on issues such as credibility, respect, impartiality, pride and camaraderie. The results of the survey, as well as the feedback obtained in the sessions held in each business unit to present the results of the study form the guide for the Human Capital team's 2015 work plan.

## ENova's Employees [G4-LA1]

In 2014, we increased 17% our staff from 496 to 581 direct employees.





### Distribution of employees by gender

Gender	2013	2014
	347	405
	149	176
Total	496	581

### Distribution of employees by category

Category	2013	2014
Managers	58	66
Directors	13	13
VP	7	8
Staff and administrative personnel	418	494
Total	496	581

### ENova's Executive Employees

Category	2013		2014	
				
Managers	46	12	52	14
Directors	9	4	9	4
VP	5	2	6	2
Total	60	18	67	20

“ Great Place to Work Institute awarded us the recognition as one of the Best Companies to Work For in Mexico. ”

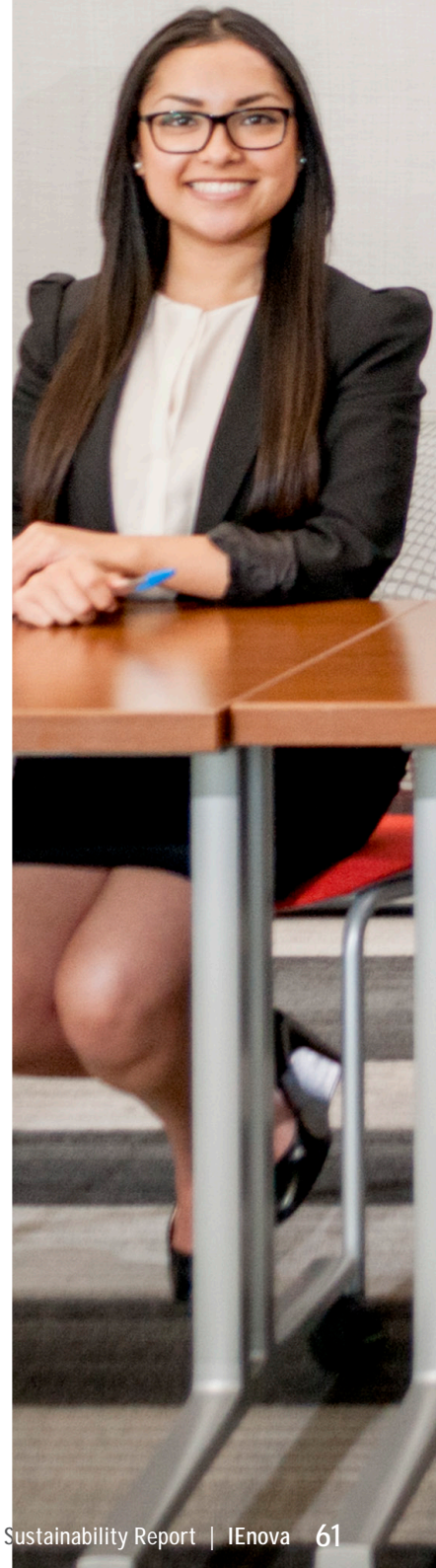
We favor the local hiring of personnel to boost regional development. Although in Mexico, there are no restrictions for hiring foreign staff, our policy is to hire Mexican talent. Thereby, 98% of our staff is Mexican.

### Creation of local jobs

Category	Local	Total
Managers	61	66
Directors	11	13
VP	8	8
Staff and administrative personnel	491	494
Total	571	581

In 2014, the voluntary turnover index was 9%\*, and the involuntary turnover index was 7%\*\* . ENova's total turnover index was 16%\*\*\*.

Formulae used to calculate the turnover index.  
 \*Voluntary turnover: Number of new hirings in one year - number of voluntary severances in one year / # total number of employees.  
 \*\*Involuntary turnover: Number of new hirings in one year - number of involuntary severances in one year / # total number of employees  
 \*\*\*Total turnover: number of new hirings in one year- number of voluntary and involuntary severances in one year / # total number of employees.





## Comprehensive Development

[G4-10, G4-LA10]

We contract the best human capital and we offer them a training and development plan that streamlines their capacities. To drive this comprehensive growth, we combine career plans, training in professional and social issues and initiatives to improve the quality of life of our employees.

### Training [G4-LA9]

With a comprehensive view, we have developed training programs in the institutional, transversal and technical areas.

- **Institutional:** this is mandatory for all employees. Among other topics, the institutional program covers IEnova's Code of Ethics, values and safety culture.
- **Transversal:** training focused on the development of specific skills in management teams.
- **Technical:** specialized training to enable staff to develop the technical skills required by their positions.

#### Hours of Training

Category	2013		2014	
	Male	Female	Male	Female
Executives and Managers	490	135	1,194	424
Specialists	5,326	1,477	9,843	2,147
Other employees	719	362	1,822	1,021
<b>Total</b>	<b>6,536</b>	<b>1,974</b>	<b>12,859</b>	<b>3,592</b>



“ IEnova grows at the pace at which we develop our people and train them to assume the new challenges in the industry.”

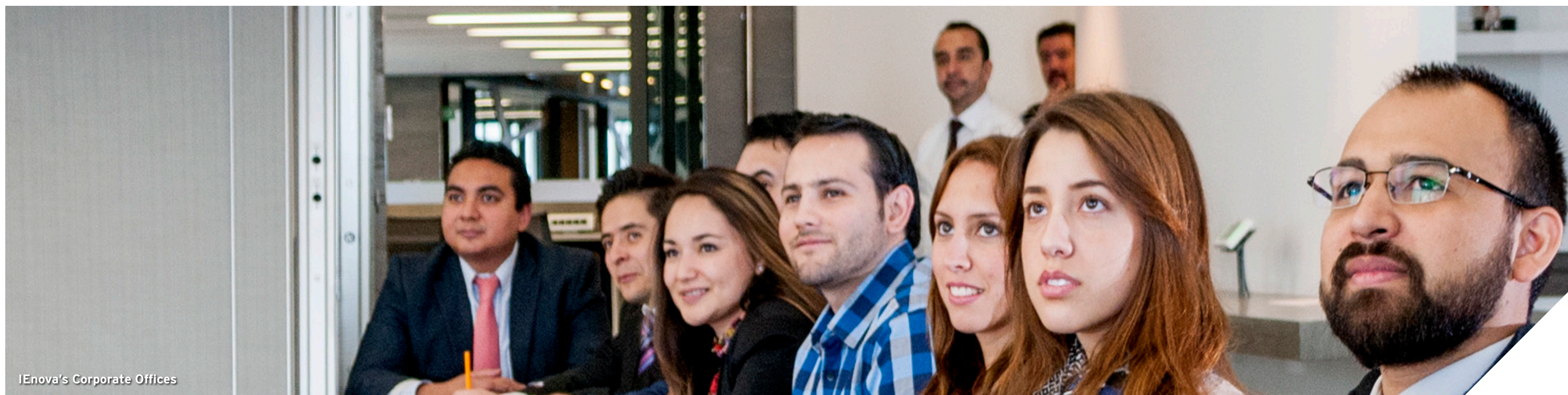


Energía Costa Azul (ECA)

On average each of our employees received 28 hours of training. This means an increase of 65% compared to the prior year. Such calculation includes classroom training and virtual learning on platforms such as e-learning and Clarity Net.

- **16,451 hours** of training
- **65%** more hours than in 2013
- **USD \$588,496** of investment in training; 62.5% more than in 2013

As part of our commitment to developing the talent of new generations, we implemented an intensive training program for 32 new young technicians. This training, which lasted three months, covers the techniques of natural gas transportation, safety, environment and leadership. Thanks to the system, 20 trainees participated in natural gas pipeline projects and most of them are now part of our staff. Given the success of this initiative, a second generation is expected to enter IEnova in 2015.



## Professional Development

[G4-LA11]

In 2014, we created the "IEnova Employees' Strategic Development Plan". We also performed a total remuneration analysis of the staff, which included programs to retain and develop key personnel. In the first quarter of 2015, we will apply the 360 survey and we will initiate a plan to identify employees with high performance potential through talent mapping sessions using the NineBox methodology. The results will allow development plans for our employees. In addition, to develop leadership skills, all employees who manage staff; i.e., supervisors to managers, will be certified to the "IEnova Leadership Standard" in 2015 and 2016, which is a process that will include six modules covering different topics.

In 2014, we defined a succession plan for vice-presidents, which will enable us to train the personnel suitable for these positions and guarantee that they have the necessary skills. In this way, we can be sure of the efficient operation of the Company in any unforeseen situation.

The support and follow-up on the professional and personal development of each employee is supported by an internal evaluation system. The system works by employees and their immediate superiors setting goals, which are aligned to the Company's strategy and individual objectives consistent with each position. We also implemented an online platform that facilitates our performance evaluation system.

## Benefits [G4-EC3, G4-LA2]

For the second consecutive year, we hired an independent consultant to conduct a remuneration study of the Mexican employment market in order to analyze our salaries and benefits packages to make them even more competitive.

Our employees have:

- Legal Benefits
- Major Medical expense insurance for employees and their immediate family
- Minor Medical Expense Insurance
- Life Insurance
- Additional Life Insurance
- Retirement Savings Plan
- Dental Coverage
- Savings Fund
- Performance Bonus

In several areas the benefits are over and above the legal minimum. As an additional value, in 2014, we extended the major medical insurance coverage to the direct relatives of employees.

All IEnova's employees are eligible for variable remuneration, which is based on their performance and the Company's financial results, including compliance with the occupational health targets.

Personnel who work on specific projects enjoy the same benefits as our full-time employees, with the exception of the retirement plan, which is a long-term benefit.

## Diversity and Inclusion [G4-HR2]

We comply strictly with the current standards applicable in Mexico in terms of legality and respect for human rights. Through our Code of Ethics, we promote equal opportunities for all; we establish absolute respect for gender, race, age, creed, political beliefs, social status, physical condition or sexual orientation. Therefore, our Code of Ethics provides guidelines and areas of employment opportunities equal and respectful of the diversity and human rights of our employees. In 2014, we communicated the Code of Ethics to all our employees.

The Code of Ethics applies to all staff of IEnova and its operative units in Mexico (either with a permanent or temporary contract and/or subcontracted). In addition, all service providers that have relationships with the Company must adhere to our Code of Ethics.

Any employment situation or misconduct that breaches our Code of Ethics must be reported promptly to the Corporate Ethics Department or to the representative of the Human Capital Department, as well as through the IEnova Contigo complaint line. This covers conduct or expressions of harassment, discrimination, forced labor, physical threats or verbal abuse, among others.

As part of our commitment, we established the Development, Equality and Diversity Committee, which will meet for the first time in 2015. The 2014 Great Place to Work survey included questions concerning diversity and equality, the results of which provide us with a starting point for the programs we will implement in 2015.



“ In 2014, we established the Diversity, Equality and Development Committee.

## Health and Safety [G4-LA5]

At IEnova, we maintain the most stringent standards and control processes in our operations in order to preserve our most important asset: our people. Therefore, based on the activities of each of our companies, we determine the programs designed to prevent any incident that may affect the health and safety of our employees. In addition to regulatory compliance, we have Health and Safety Committees and work teams, which are representative of the labor force. In 2014, 290 IEnova employees were involved.

In 2014, we worked to homogenize the business units' programs by developing a new Health and Safety Management System. We defined the Life-Saving Health and Safety Principles Manual and the Management System Manual, which consists of 24 elements, as well as the Corporate Health and Safety Policies Manual. We prepared the communication plan to circulate the elements of the System to all IEnova's employees, including our contractors. Additionally, we developed a single health and a safety policy, independent from the environmental policy. By the end of the year, each business unit had a self-evaluation that will enable them to establish their references for the 2015 activities plan.

In 2015, we will continue working on the implementation of the Health and Safety Management System. In order to oversee the efficient operation of said System, in 2014, we developed a Crossed Health and Safety Verifications Program (among IEnova's assets).

### Verifications 2014

Type	Number of verifications
Internal	73
External	10
Total	83

On an on-going basis, we seek to transmit a culture of prevention among our employees through training and awareness.





In 2014, a total of 9,755 hours of training were given to our employees on health and safety matters. The main subjects include:

<b>Pipelines</b>	Firefighting Safety, Incident Investigation, Electrical Safety, Defensive Driving.
<b>Storage</b>	Communication of hazards, Storage and handling of hazardous materials, Storage and handling of compressed and cryogenic gas, Emergency response plan.
<b>Distribution</b>	Back Safety: Get Up Well, Live Well; Compressed Gases. Safe Handling; Contractor Safety. A Matter for Everyone and Safety with Electricity.
<b>Power</b>	Firefighting, Personal protection equipment, Fork-lift maneuvers, First aid, Fire safety, among others.
<b>Projects in construction</b>	Risk communication, Response to emergencies, First aid, Occupational safety analysis, Excavation safety, Heavy machinery safety, Protection against falls, among others.

In each business unit, we have:

- Health and Safety Commission
- A “Champions” team to follow-up on the activities of the Health and Safety Management System
- Preventive and emergency brigades
- Health and Safety specialist

Additionally we have an IEnova’s operations committee that includes health and safety issues on its agenda.

“ We promote the IEnova Health and Safety Culture among all our employees and their families.

We also have initiatives to promote the health and safety culture in which we involve our employees’ families:

- “Family Day” We hold workshops in nutrition, pedestrian safety, cycling safety, child safety in vehicles and fire safety and prevention. In 2014, we held events in Ensenada, Mexicali, Hermosillo, Chihuahua and Torreón with the participation of more than 1,000 people, including:
  - Employees and their families
  - Local authorities
  - Suppliers
  - Community emergency services
  - Civil Protection
  - The Fire Department
  - Mexican Red Cross

In 2014, we launched:

- The “Safety and my Family” drawing competition
- “Health and Safety Employee of the Month” recognition program

We intensify our efforts to spread occupational health as a culture:

- We hired an external specialist to perform an Occupational Health Diagnosis of our business units. The results will be used as the base to design the 2015 action plan
- The implementation of vaccination campaigns
- Morning physical exercise sessions and sporting activities in diverse operative units





## Safety Performance [G4-LA6, G4-LA7]

The accident rate is shown as follows:<sup>1</sup>

	2012	2013	2014
Work-related fatalities	0	0	0
Total Recordable Incident Rate according to OSHA (TRIR) <sup>2</sup>	NA	NA	1.40
Lost Time Accident Rate (LTAR) <sup>3</sup>	0.9	0.50	0.87

<sup>1</sup>The accident rates do not consider first aid or events without injuries and include both IEnova's and contractors' staff: Accident Rate= (Number of accidents X 200,000)/hours worked.

<sup>2</sup> TRIR = Total Recordable Incident Rate. Accidents recordable with or without incapacity are used based in the definition provided by the US Occupational Safety and Health Administration.

<sup>3</sup> LTAR = Lost Time Accident Rate. Reportable accidents with days lost are used as a base.

NA = Not Available

Our goals for 2014 were 2.41 in the Total Recordable Incident Rate (TRIR) and 2.09 in the Lost Time Accident Rate (LTAR). The final result was 1.40 and 0.87. It must be pointed out that more hours were worked in construction, which is a type of operation with a specific risk. The initial estimate was to work 4 million hours; however, 6 million were actually worked; i.e., 50% more hours.

### Our target for 2015:

- **Total Recordable Incident Rate (TRIR)<sup>2</sup>: 2.29**
- **Lost Time Accident Rate (LTAR)<sup>3</sup>: 1.73**

The best practices that we apply in each of our projects under construction include the criteria for the selection of partner-contractors and the establishment of the health and safety requirements on a contractual basis such as the induction safety courses for new personnel, safety talks, work procedures and permits for high-risk tasks, periodic field inspections, warm-up exercises, random breathalyzer and anti-doping tests, among others.

At IEnova, we operate in accordance with the General Civil Protection Law and we instill a preventive culture, the capacity for response, assistance and the reestablishment of our employees and the population in the event of the occurrence of risks and hazards due to natural and manmade phenomena.

Therefore, in 2014, we held 27 drills in our different operation centers, **58% more than in 2013.**



To date, all our operative units were evaluated and complied with the requirements set forth by the Ministry of Labor and Social Welfare to obtain the Safe Company Certificate, which is part of the Occupational Health and Safety Self-Management Program.



In 2014, the social projects in which IEnova participated amounted to USD\$3.2\* million.



"Hands with Energy" Event, IEnova's employee

## Social Commitment [G4-S01]

In congruence with our Sustainability Strategy, we are working to contribute to the well-being of the communities in which we operate and are a part of.

\*Includes the corporate budget, the Ensenada Trust, the Sásabe - Guaymas Trust and the projects in construction of the joint venture with PGPB, Los Ramones I and the Ethane pipeline.



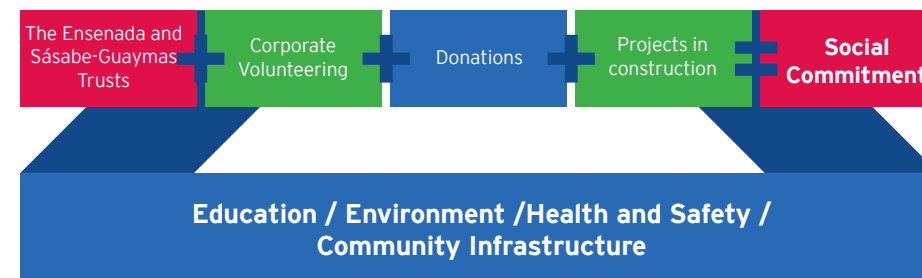
In line with our values, we work hand in hand with the communities in order to contribute to their well-being.

[G4-S03]

In 2014, we reinforced our commitment to the communities through support to the economic and community development programs that answer to their social and environmental needs. We remained focused on the following areas:

- **Education:** we have the conviction that education is the best investment to guarantee a prosperous future in our community
- **Environment:** we work in conjunction with local groups to support educational programs that promote environmental conservation
- **Health and Safety:** we support institutions that help people to respond to potential emergencies
- **Community projects:** we support programs and events for the common good that can have a multiplying effect on the communities in which we operate

At IEnova, we manage economic and human resources to generate value to our communities through:



All our donations granted to social projects and nonprofit social welfare institutions are authorized in accordance with an Anti-Corruption Practice process based on the US Foreign Corrupt Practices Act. In 2014, IEnova's Corporate Ethics Department prepared the Corporate Ethics Policy and the Donations, Memberships and Improvements Donations Anti-Corruption Procedure. These documents will reinforce our internal procedures and shall become effective and be circulated in the first quarter of 2015.



Sásabe - Guaymas Trust

## Trusts [G4-EC7]

### Ensenada

The Ensenada Trust was constituted in 2004 through Energía Costa Azul. The Ensenada Trust consists of a Technical Committee and a Consulting Board integrated by distinguished citizens from the health, private, academic, economic development and conservation sectors of Ensenada, including the Municipal President, as well as representatives from IEnova.

IEnova contributed a total of USD\$7 million for the trust constitution, which are allocated to academic programs, equipment, infrastructure, public safety and environmental programs for the city of Ensenada, Baja California.

In 2014, the main donation amounted to USD\$500,000 and was allocated to the construction of the Teleton Children's Rehabilitation Center (CRIT) in Baja California, which will help 3,000 disabled children to provide them with a better outlook on life by helping them to make the most of their abilities. The first stone of the works will be laid in the first quarter of 2015.



Community Projects, Sásabe - Guaymas Trust



We are concerned about meeting the social and environmental needs of the communities in which we operate.



Sásabe-Guaymas Trust

### Sásabe - Guaymas

The Sásabe - Guaymas Trust was constituted in 2012 and is integrated by representatives of the Federal Electricity Commission (CFE), the Government of the State of Sonora and IEnova.

The social projects requests received are evaluated by a Technical Committee to determine if they are in line with the requirements to qualify as a beneficiary of social project, as well as analyzing the costs and benefits. The congruence of the project is also evaluated in terms of the general objectives of IEnova's community support program and the particular objectives for the year in question.

The Technical Committee consists of members of IEnova and Gasoducto Aguaprieta (GAP) who participate in the project, as well as representatives of the Federal Electricity Commission (CFE) and the Government of the State of Sonora.

The Technical Committee of the Trust discusses the approval of the social projects and their beneficiaries with representatives of the Federal Electricity Commission (CFE) and the State Government. As of December 31, 2014, there are authorized projects amount to USD\$800,104 and will benefit around 70,000 people. In 2015, the delivery of the authorized projects will begin and the reception, evaluation, processing and approval process of the projects will continue.

## Corporate Volunteering

We consolidated our corporate volunteering program in order to involve our employees in IEnova's social commitment actions. To perform this task, training was given to the Human Capital and Community Relations Departments, which headed this program and spread among our teams the commitment to each one of the causes supported throughout the year.

This is the reason why in 2014, we launched **"Hands with Energy (Manos con Energía)"**, a vector volunteering program with three initiatives that were carried out throughout the year in IEnova's operative units and corporate offices.

We continued our alliance with the Childhood Protection Foundation (Fundación para la Protección de la Niñez, I.A.P.), a support organization for vulnerable groups all over Mexico. Our "Hands with Energy" volunteering program supported the following projects:

- School supplies drive: "School + Smiles"
- Toy and shoe drive: "Tree of Smiles"
- Infrastructure improvements in Shelters in Hermosillo, Mexicali, Ensenada, Torreón, Chihuahua and Mexico City with the participation of employees and their families

In 2015, we will continue working on strengthening the volunteering program focused on increasing the number of employees interested in transforming the lives of the children that benefit from our cause.

## Donations

An essential part of the commitment with our communities is to support the institutions and social associations through contributions to causes related to our sustainability strategy. In 2014, we made donations in the amount of USD\$ 175,600. The main associations we supported were:



"Hands with Energy" Event, IEnova's employee

“ In 2014, "Hands with Energy" ("Manos con Energía") benefited more than 1,000 children.

Education	Scholarship Program: Centro de Enseñanza Técnica y Superior (CETYS) Fundación UABC "Alas Oportunidades para Volar" Asociación Mexicana Pro Colegios del Mundo Unido, A.C.
	Fundación para la Protección de la Niñez, I.A.P.
	Casa Hogar Mefi Boset
	Adoption of Mexicali's public areas
Environment	Mexican Red Cross
	The Ensenada, Torreón and Gómez Palacio Fire Services
Health and Safety	DARE Chihuahua Fire Service
	Instituto de Desarrollo Integral de La Laguna, A.C.
	Asociación Mexicana de Ayuda a Niños con Cáncer, I.A.P. Las Californias Children's Hospital
Community Infrastructure	Fundación para la Protección de la Niñez, I.A.P.

## Projects in construction and assets belonging to Joint Ventures

We made social investments in the projects in construction we have in the joint ventures where IEnova has a 50% stake.

### Los Ramones I

Construction of a gas pipeline that crosses five municipalities in the states of Tamaulipas and Nuevo León. Seven social projects were carried out in different communities. We worked as together with the City Hall of Camargo in Tamaulipas on the restructuring of the "Praxedis" Social Center.

This project is of high impact for the benefit of more than 2,400 people in the community and will help to integrate its families. Meetings and events are held in this center that contribute to strengthening the social fiber.

We supported the construction of a school campus in the municipality of Ramones, as well as the extension of a Boulevard and the remodeling of the main plaza. In addition, in the Ejido San Isidro is carried out the rehabilitation of a family and children's recreation area. All these projects involve an investment of more than USD\$ 700 thousand.

### Ethane Pipeline System

For the Ethane Pipeline System, we have two management types for the social projects. The first one is agreed between the Pipeline business unit and the City Halls of the municipalities through the project crosses and the second is agreed directly with the communities. In both cases, social needs such as paving of streets and refurbishing of public plazas, schools, etc., are met.

46 social contributions were made in 2014, which included projects and an investment for more than USD\$ 2.8 million. Due to the size of the populations and the types of contribution in different projects, we benefitted more than 34.000 people in eight municipalities of the states of Veracruz, Chiapas and Tabasco.



"Hands with Energy" Event

Community Projects, Ethane Pipeline



# Environmental Pillar



At IEnova we operate in strict adherence with the environmental regulations by seeking the balance between the communities and their ecosystems.

Puerto Libertad Nursery - Sonora Pipeline



The activities in each of IEnova's business units and projects in construction are conducted in accordance with the guidelines of our policies.

## Sustainable Resource and Environmental Impact Management

[G4-EN27, G4-EN30]

Part of our success is the result of our respect to the environment, the response to the changing demands of the ambit and the overall compliance with the environmental regulations inherent to each project. These virtues are a reflection of our internal operations standards.

We reviewed and strengthened our Environmental Policy, in which we describe how the Company meets its commitment to protect and conserve the environment.

### Our Environmental Policy

At IEnova, we are committed to protecting, preserving and conserving the environment and its biodiversity by preventing the pollution of water, air, soils and the contamination caused by the generation of waste. We achieve this by engaging with our different stakeholders and:

- Minimizing and controlling the environmental impact of the operations and the services provided by our businesses.
- Ensuring the sustainable management of the resources by continuously improving and monitoring the operating processes and the environmental management.
- Optimizing and reporting environmental performance of consumption of water, fuels and energy based on the environmental objectives and goals that are verified yearly.
- Ensuring the compliance with the applicable environmental laws, regulations and standards, as well as with the best industry practices, the global corporate guidelines and the specific requirements stated in the different permits granted to IEnova's subsidiaries.

To make all our personal aware, in 2015, we will implement the policy communication phase, which forms part of our Corporate Environmental System.

The Environmental Management System is based on the requirements defined in the international environmental standards (ISO 14001) that considers the conditioning factors and mitigation measures required by the Ministry of the Environment and Natural Resources (SEMARNAT). The System has management manuals that cover areas such as:

- Water
- Atmospheric pollution
- Environmental emergencies
- Hazardous waste
- Special waste management
- Perimeter noise

Thanks to the application of said System, this year we were awarded environmental recertifications at TDM, Ecogas Mexicali and two more in Pipelines. With this, 100% of our assets in operation hold environmental certifications.

We are continuing to work on the lines of environmental action defined in our sustainability strategy:

- Clean and efficient energy
- Environmental culture
- Comprehensive waste and emissions management
- Biodiversity

Each of our projects guarantees the protection and preservation of the environment. Our commitment is to develop energy infrastructure in a socially and environmentally responsible way.

Part of our responsibility to the communities in which we operate or implement projects is to keep them informed. Therefore, we seek to establish links with the community through a three-phase line of communication:

1. Community awareness
2. Social support
3. Publication of the projects results

To demonstrate that the development of energy infrastructure is compatible with the protection and preservation of the environment, we ensure responsible operation in our two business segments.



## Gas Segment

Natural gas is the main product of our operations: we store, transport and distribute this hydrocarbon that has the following characteristics:

- It is environmentally-friendly: 40% lighter than air, it does not accumulate and it disperses naturally in the atmosphere.
- It is cleaner: its combustion generates lower NOx, SOx and CO emissions.
- It is non-toxic and non-corrosive.

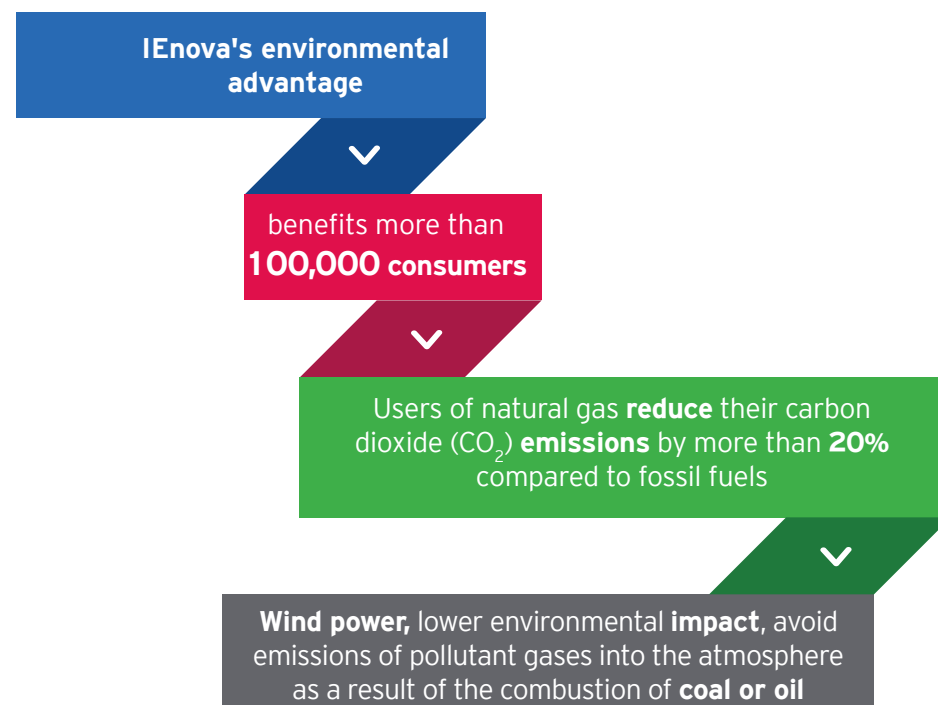
## Power Segment

Our projects contribute to the production of clean energy to improve the environment and they collaborate so that a greater number of people can gain access to cleaner energy and reduce their carbon footprint.

We generate electricity at the Termoeléctrica de Mexicali (TDM) and soon we will do so at the Energía Sierra Juárez (ESJ) wind facility that is currently under construction.

Termoeléctrica de Mexicali (TDM) is a modern and efficient natural gas-powered combined-cycle plant whose advanced environmental technologies, meet or exceed the standards applicable in both Mexico and the US State of California, which is recognized for its environmental achievements.

Meanwhile, ESJ, located in the Sierra de Juárez mountain range, in the State of Baja California, has a potential of up to 1,200 MW. The first phase of ESJ will generate 155 MW, thus contributing to reducing the effect of greenhouse effect gases.



Our business benefits the communities in which we operate and provide services. The energy infrastructure is vital for the development and operation of society. We require natural resources in order to offer our services; therefore, we make a commitment to and respect the environment in strict adherence to and on many occasions, above the regulatory standards.

### Storage

Environment Quality Certificate granted by the Federal Environmental Protection Agency (PROFEPA).

ISO 14001: 2004 certification.

Environmental Management System.

Environmental programs: Monitoring of marine mammals, a compensation and reforestation program, monitoring of benthonic fauna and atmospheric emissions, monitoring of water quality and the management of non-hazardous waste.

### Transportation and Distribution

Clean Industry or Environment Quality Certificate granted by the Federal Environmental Protection Agency (PROFEPA).

Environmental Management System.

Pipeline: Active reforestation and environmental compensation programs developed by specialists, as well as validation by state educational institutions.

Distribution: Initiatives to reduce the greenhouse gas emissions of our vehicles.

### Power

Clean Industry Certificate granted by the Federal Environmental Protection Agency (PROFEPA).

Environmental Management System.

Reforestation and water use programs.

For the sixth consecutive year, TDM is included in the greenhouse gases (direct emissions) reporting program, certified by The Climate Registry. TDM is founding member of the program.

Our business segments differ from each other; therefore, the way in which resources are managed and the actions taken to improve the environment are also different. However, we have a common denominator: a view of continuous improvement focused on efficiency and quality, governed by the Corporate Environmental Management System.

# Emissions [G4-EN13, G4-EN15,

G4-EN16, G4-EN19, G4-EN21, G4-EN22, G4-EN23]

As proof of our commitment to the control and reduction of emissions, we perform constant monitoring of the operations of all our operative units. Due to the nature of the operations, Energía Costa Azul (ECA) and Termoeléctrica de Mexicali (TDM) plants are subject to strict measurement, as described below.

## ECA

At ECA, we measure emissions by electron microscope sweeping microscopy, which is a reliable and efficient system for gas turbines and heaters.

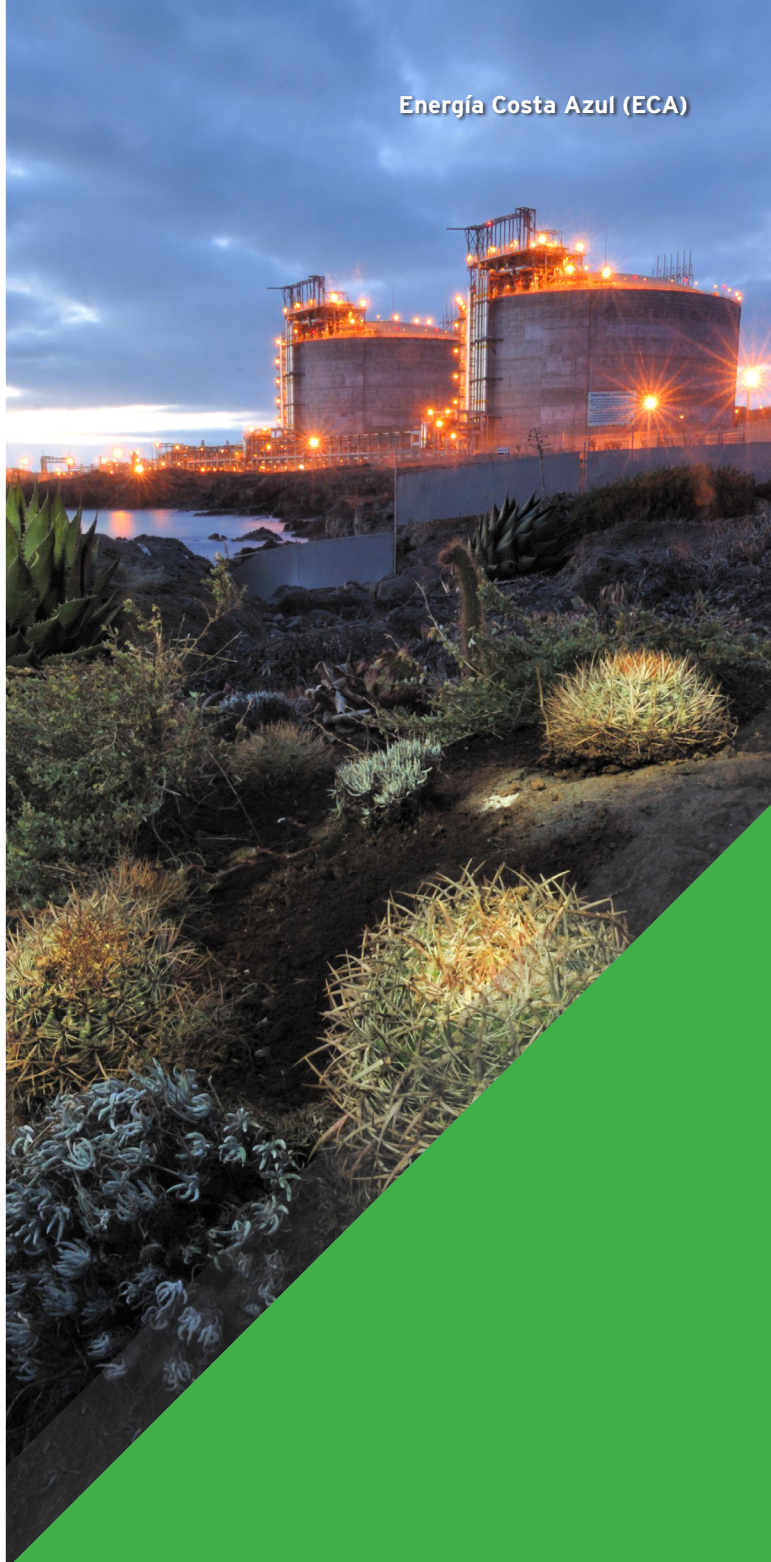
Our gas emissions are caused by the combustion of natural gas register 30 ppm (parts per million), an amount that is below the level indicated by Mexican Official Standard NOM-085-SEMARNAT-2011.

In terms of atmospheric emissions, a product of the electricity generation process, our turbines are powered by natural gas, which is clean and is permanently monitored. This enables us to ensure that the emissions always remain below the standards.

## TDM

TDM also uses highly efficient natural gas powered turbines. In the same manner, they are monitored 24 hours a day by a third party to verify and validate the greenhouse gases. For the sixth consecutive year, TDM is included in the greenhouse gases reporting program, certified by The Climate Registry.

In both operative units, we control and monitor atmospheric emissions strictly 24 hours a day. This permanent supervision is conducted by an emissions control and monitoring system, a catalytic reducing module to reduce carbon monoxide (CO) discharges and a Selective Catalytic Reduction System (SCR) to control nitrogen oxides (NOx).



Energía Costa Azul (ECA)

“ We have state-of-the-art technology to measure and manage our emissions.”

Sonora Pipeline



Due to the nature of their processes, our Distribution and Pipeline business lines do not generate significant atmospheric emissions. In the case of Ecogas, most of the emissions are generated by our customers in the use of our product. To a lesser extent, it is a matter of mobile emissions; i.e., the automobiles used by the salespeople and the maintenance and installation teams, all of which are subject to a traffic emissions program.

## IEEnova's atmospheric emissions report\* [G4-EN17]

Type of emissions	Quantity in metric tons of CO <sub>2</sub> e	
	2013	2014
Direct emissions	1,410,438	1,588,486
Indirect emissions	2,210	2,434

\*Most emissions are generated by ECA and TDM. The 2013 data was modified as a result of the verification of TDM's emissions. The emissions data includes CO<sub>2</sub>, CH<sub>4</sub> y N<sub>2</sub>O.

ECA uses emissions factors and the calculation of the US Environmental Protection Agency, available at [HYPERLINK "http://www.epa.gov/cleanenergy/energy-resources/refs.html"](http://www.epa.gov/cleanenergy/energy-resources/refs.html) www.epa.gov/cleanenergy/energy-resources/refs.html. TDM applies the factors published by The Climate Registry, as well as said organization's own methodology (Direct Emissions from stationary combustion; General Reporting Protocol Version 1.1; May 2008; The Climate Registry).

## Emissions by our distribution customers from the use of our product

Type of emissions	Gas emissions	Quantity in metric tons of CO <sub>2</sub> e	
		2013	2014
Other	Natural gas sold to customers	4,824,322	4,784,441

Conscious of the importance and attention that climatic change represents for IEEnova, in 2015, we will develop an internal diagnosis that will allow us to define the strategy on the theme. Said strategy will be aligned with the guideline of a business low in carbon of our parent company, Sempra Energy.

# Waste Generation and Management

[G4-EN2, G4-EN23]

We reduced the amount of waste by focusing on efficiency in the use of resources and improvements in their disposal. Due to the nature of their processes, ECA and TDM have implemented the most relevant programs in this area.

## ECA

At ECA, we guarantee a safe and reliable operation thanks to a corrective and preventive maintenance program to minimize the risks of explosion, fire and other damage. Thanks to these programs, in 2013 and 2014, no accidental spills or waste generation were reported through this channel.

On being registered at state level as generator of special waste management, we assumed a greater commitment to improving our environmental processes. In parallel, we develop metrics for our advances in the right disposal and reduction of waste. 2014 was the fourth year of the implementation of the hazardous waste reduction plan at Energía Costa Azul.

The disposal of hazardous waste, which includes the recovery and the recycling of energy, are part of our improvement practices. In this way, the link with companies specialized in recycling and our awareness-raising campaign are part of a virtuous circle in constant growth.

Regarding hazardous waste, when the physical-chemical nature of the residue allows, we seek facilities or suppliers that recycle or reuse them instead of sending them for disposal. Thus, six tons were sent for recycling.

## TDM

This year, we implemented an stringent preventive and predictive maintenance procedure that reduced faults in the operation to the minimum, achieving a 97% availability of the asset.



Energía Costa Azul (ECA)

“ In 2014, at ECA, we sent all the hazardous waste generated for recycling and recovery.”



Termoelectrica de Mexicali (TDM)

TDM's main waste –solid waste impregnated with oils– are managed and disposed of by a specialized company in accordance with the applicable regulations. Approximately 44% was sent for recycling, which represents an increase of 47% compared to 2013.

IEnova's non-hazardous waste recycled by an external company, increased by more than 1,400% compared to 2013. This was the result of the implementation of a best waste separation practice applied by TDM. A contractor was hired to recycle the metallic waste generated by major maintenance to the plant carried out in 2014.

Total report of IEnova's waste generation and management\* [G4-EN23]

Type of Waste	Disposal	Quantity (Metric Tonnes)	
		2013	2014
Hazardous waste	Waste confined in controlled containers	11	11
	Incinerated waste	3	2
	Waste recycled by other institution (including oil recovery and recovered energy)	6	8
	<b>Total hazardous waste</b>	<b>20</b>	<b>22**</b>
Non-hazardous waste	Non-hazardous waste and by-products	10,416	10,982
	Waste confined in controlled containers	10,353	10,943
	Waste recycled by other institution	3	39

\*Most residues are generated by ECA and TDM.

\*\* 21.70 by rounding 22.



Termoelectrica de Mexicali (TDM)

## Water [G4-EN8, G4-EN9, G4-EN10]

Our processes and actions focused on water use include saving and recycling in intensive processes, such as ECA and TDM. The water related processes in place in these operative units are described below.

### ECA

ECA is IEnova's largest consumer of water. We must emphasize that 99% of the water we use is extracted from the sea and is not contaminated in the process. This is because it is only used for heating; i.e., to change the phase in the natural gas, without coming into contact with other materials. 99% is returned to its source in compliance with the environmental and water quality permits; thus only 1% is wasted, which goes through a treatment plant before being discharged.

An accredited laboratory analyzes the quality of the seawater surrounding ECA to keep control of its physical-chemical properties. In this quarterly monitoring procedure, samples are collected at three points in front of the Terminal and at three different depths at each.

The parameters to be monitored respond to the type of discharges: the waste water treatment plant, the regasification system and the inverse osmosis plant. The purpose of this strict review of the water quality is to ensure that the conditions of the permit are met.

### TDM

At TDM, the only source of water used in the power generation process is the waste water from the Zaragoza lagoon, in the city of Mexicali. This liquid is treated by biological and physical-chemical processing and with technologies such as inverse osmosis and demineralization, both of which produce ultra-pure water. Waste water, once treated, is used in TDM's cooling and vapor generation system.

In addition, approximately 30% of the water that is treated and used in the power generation process is returned, clean to a branch of the Río Nuevo River, the quality of which meets the standards of Official Mexican Standard NOM-001-SEMARNAT-1996.

From 2012 to date, we have continued the operations with the improvements made to the cooling tower, which have enabled us to have a more efficient process and reuse water 6.5 times before discharging it.

### IEnova's total water discharge report\*

Type of discharge	Quantity (M <sup>3</sup> )	
	2013	2014
Water discharged into municipal treatment plants	7,068	6,722
Water discharged to other sources	1,431,954	1,320,301
Water discharged into the sea	2,080	2,081
<b>Total water discharged</b>	<b>1,441,102</b>	<b>1,324,942</b>
Water returned to its original extraction source in the same or better conditions	97,939,874	101,977,222**

\* Most reused water is in ECA and TDM.

\*\*Total water discharged: 101,979,303 m<sup>3</sup> and the water returned to its original extraction source is in the same or better conditions: 101,977,222 m<sup>3</sup> (water discharged less the quantity of water treated by the waste water treatment plant).

### IEnova's total report of water by type of extraction source\*

Water extraction by type of source	Quantity (M <sup>3</sup> )	
	2013	2014
Ground water	3,198	4,016
Municipal waste water	5,339,170	5,660,211
Municipal water	7,093	4,696
Water obtained from other sources (seawater)	97,941,954	101,979,303
<b>Total water extracted</b>	<b>103,291,415</b>	<b>107,648,226</b>

\*Most reused water is in ECA and TDM.



Energía Sierra Juárez Nursery

## Conservation of Biodiversity

[G4-EN11, G4-EN12, OG4]

At IEnova, we work on biodiversity conservation projects, such as:

- Conservation and compensation of flora
- Wildlife protection and rescue
- Reforestation

The type of flora and fauna conservation, protection and rescue programs we implement depends on the applicable environmental regulations, the type of operation or project in development and on the characteristics of the ecosystem impacted.

## Conservation and Compensation of Flora

### Gasoducto Rosarito, Energía Costa Azul and Termoeléctrica de Mexicali

The restoration and compensation programs implemented in previous years, which remained active in 2014 are listed below.

Category	Start Year	Project	Description
Rescue and restoration	January 2008	Restoration of the ecosystems impacted by the construction of the Gasoducto Rosarito Expansion project.	6,392 specimens of different species of endemic plants were cultivated in nurseries, which were planted in the project's row. Reforestation by the direct sowing of seeds of different species in the respective area: 73 kilometers of the gas pipeline. Quarterly monitoring to follow-up on the restoration of the habitat.
	September 2006	Rescue, replanting and protection of endemic and threatened plants. Expansion of the Rosarito Gas Pipeline.	Rescue of 5,061 specimens of nine endemic species of Baja California: 1,192 are <i>Ferocactus viridescens</i> , which is a species considered as endemic and endangered (Official Mexican Standard NOM-059-ECOL-2010). Following their protection in a nursery, the rescued species were returned to their natural habitat: 1,192 <i>Ferocactus viridescens</i> and 6,253 plants of a new species were replanted along the first 19 Km of the pipeline. Periodic monitoring of replanted species. Survival: 86.4% of the <i>Ferocactus viridescens</i> at year-end 2014. This program complies with the requirements of the Ministry of the Environment and Natural Resources (SEMARNAT).
	2003	Protection of Desert Ironwood at the Termoeléctrica de Mexicali.	35 ironwood specimens were counted at the start of construction. 210 trees were counted at year-end 2014 as a result of care and irrigation.

Category	Start Year	Project	Description
Compensation and Conservation by Reforestation	March 2011	Reforestation Program of the <i>Jeffrey's Pinus</i> in Sierra Juárez, Baja California. Gasoducto Rosarito.	Acquisition of <i>Pinus jeffreyi</i> seeds by collectors certified by the National Forestry Commission (CONAFOR).
			A nursery was built where pine seedlings were cultivated. 60 hectares were reforested with 900 pines and an interval drip irrigation system was built. Periodic monitoring of replanted pines.
			Survival: 68%. This program complies with the requirements of the Ministry of the Environment and Natural Resources (SEMARNAT).
	April 2009	A reforestation program of the Mesquite tree ( <i>Prosopis juliflora</i> ) in the areas impacted by the construction of the Gasoducto Rosarito Compression Station.	The sowing of 236 mesquite trees and the installation of an automatic drip irrigation system in an area adjacent to the Compression Station site.
			Monitoring and maintenance of reforested areas. Survival: 100%.
April 2009	The application of Reforestation Programs with <i>Prosopis juliflora</i> and <i>Prosopis chilensis</i> mesquite trees in areas impacted by the construction of the Gasoducto Rosarito project.	50 <i>Prosopis juliflora</i> mesquite trees were sowed and an automatic drip irrigation system was installed in an area adjacent to the starting point of the Gasoducto Rosarito.	
		50 <i>Prosopis chilensis</i> mesquite trees were sowed and an automatic drip irrigation system was installed at a local high school. Monitoring and maintenance of reforested areas. Survival: 100%.	
2006	Energía Costa Azul Flora Rescue and Conservation Plan.	The rescue, protection in nurseries and the transplant of more than 4,500 <i>Ferocactus viridescens</i> and coastal brushwood species. Following construction, the specimens are relocated in environmental conservation areas adjacent to ECA. Repopulation of the area with newly germinated organisms. Survival: between 70% and 92% depending on zone. Germination in nursery of more than 37,300 coastal brushwood species, including 15,698 <i>Ferocactus viridescens</i> specimens.  These values lead us to conclude that the goal of the Costa Azul Flora Rescue, Protection and Conservation Plan has been met and exceeded.	

## “ Ten years of monitoring of marine mammals.”

### Wildlife Protection and Rescue

We ensure strict care of the species that inhabit the places where we have projects in development. The wild fauna protection procedures we implement depend on the type of habitats impacted. In all the cases, we adhere rigorously with the applicable standards.

#### Gasoducto Rosarito and TGN

The Fauna Rescue and Relocation Programs implemented in the Pipelines area enable us to identify the species present in project's row. These programs include the displacement procedures and, if necessary, their safe capture for their subsequent relocation. We implement strict administrative controls that are observed by all the personnel and that ensure that the fauna detected is cared for, as well as controlling these tasks.

#### ECA

The marine and land ecosystems in which the Energía Costa Azul Liquefied Natural Gas (GNL) Terminal was developed were demarcated and characterized prior to the installation of infrastructure in order to monitor the potential effects of the construction, operation and maintenance activities in the biotic and abiotic components of the ecosystems. The study concluded that ECA is adjacent to migratory routes of the gray whale (*Eschrichtius robustus*) and that commercial importance species are also present, such as the purple sea urchin, the red sea urchin and sea cucumber.

**Monitoring of marine mammals:** Since 2003, ECA has implemented a successful Marine Mammals Monitoring Program (MMMP) with the participation of academic institutions such as the Scientific Investigation and Higher Education Center of Ensenada (CICESE) and the Autonomous University of Baja California (UABC), as well as experts in the field from the region and consulting companies specialized in environmental matter.

The purpose of the program is to study migration patterns, particularly those of the gray whale, in order to guarantee its free and unobstructed passage.

Mainly from December to May when the migration of the gray whale (*Eschrichtius robustus*) can be observed, measurements of diverse environmental indicators are taken annually in order to evaluate possible changes or impacts on three levels: 1. Individual; 2. Populational and 3. Community or Associations.







“ 37,313 plants in nursery production, 6% more than in 2013 ”

These measurements were taken in three different periods:

- From 2003 to 2006: Monitoring prior to the start of the construction of ECA. The average values of the measurements are considered as the benchmark or base line of comparison.
- From 2007 to 2008: During the construction of ECA.
- From 2008 to date: Operation of ECA. These measurements allow us to make inter-seasonal comparisons. This program has been maintained during the berthing and casting-off maneuvers of tanker vessels during the migration season.

From 2003 to date, we have had sightings of 13 species of marine mammals, the gray whale has been of particular interest.

Using this Program, we have been able to define evaluations and actions in order to respond to the conditioning factors related to marine mammals. Thus, it has been observed that the presence and operation of the ECA Marine Terminal has not affected the behavior of the associations of marine mammals and particularly, the eastern population of the gray whale.

### Benthonic Fauna Rescue, Protection and Conservation Plan

Prior to the construction of Energía Costa Azul, we implemented a rescue, transfer, planting and monitoring plan of 904,017 highly commercially and ecologically valuable specimens, mainly sea urchins, sea cucumbers and sea conches. We implemented this program with local fishermen and scientists from the Autonomous University of Baja California (UABC). The relocation of the populations of the red sea urchin (*S. franciscanus*) and the purple sea urchin (*S. purpuratus*) is considered successful because the survival rate was over 99%. Also, we trained the fishermen in the sustainable harvesting of sea urchins in order to protect the species. From 2003 to date, we have conducted two annual monitoring studies to follow-up on these species.

In these 10 years, the population has followed a natural sequence of increases and changes in its structure. At the same time, increases have been observed with the inclusion of young, which shows a favorable dynamic. This inclusion allows the populations to be conserved, thereby compensating the natural mortality of these species.

### Flora and Fauna Rescue, Protection and Conservation Plan

Type	Quantity
Marine mammal species monitored	13
Number of specimens of the different species used for propagation of flora	28,203
Inventory of plants in nursery production	37,313
Rescue and transfer of relevant marine organisms	904,017

## Projects under Construction

At IEnova, we are committed to respecting, protecting and conserving the environment and to meeting our customers needs in a sustainable manner.

### Gasoducto Sonora

We are currently working on the implementation of the following programs:

- Flora and Fauna Rescue and Relocation
- Environmental Awareness
- Soil Conservation and Revegetation

In terms of fauna, prior to the clearing activities and during all the work phases, if any specimens are detected, they are captured and immediately relocated in nearby zones outside of the work area.

Prior to the clearing activities, we take a site tour to identify the plants that will be rescued. The flora specimens rescued are placed in a selected area inside the strip affected. They are transferred to the nurseries to be protected on the same day they are rescued. During this time, fertilizers and other treatments are applied to help to increase their chances of survival.

When the construction works and recomposition of the soils in the strip impacted are completed, the specimens rescued are restored to their place of origin. Subsequently, reinforcement revegetation is applied to the strip impacted by the direct sowing of seeds of the flora species endemic to the area.

The monitoring and maintenance phase is then implemented in which activities such as periodic irrigation (approx. every 4 months), the application of fertilizers and monitoring are carried out to determine the percentage of survival.

As of December 31, 2014, we returned 13,900 specimens of flora of different species in the first 220 km of the project. There is a survival rate of 87%, which is above the percentage established by the Ministry of the Environment and Natural Resources (SEMARNAT) for the project. Gasoducto Sonora has two nurseries that protect 19,387 specimens of different species of flora, which have a 100% survival rate.

## Assets Belonging to Joint Ventures

In congruence with our environmental policy, we seek to be responsible towards the environment in all the Assets that we operate and build, including those belonging to our Joint Ventures.

### Energía Sierra Juárez\*

Based on the flora and fauna characterization studies conducted on the project site, we have prepared the list of species with certain protection status pursuant to Official Mexican Standard NOM-059- SEMARNAT-2010. The census of the zone revealed that the bighorn sheep is considered to be in danger.

The following mitigation measures are taken during the construction of the project in accordance with the specifications imposed by the Ministry of the Environment and Natural Resources (SEMARNAT):

**1. Reduction to the minimum the impacted area.**

Thanks to responsible engineering, only 48.7% of the authorized area was affected.

**2. Protected species rescue programs.**

The environmental release procedure, implemented before the clearing of the areas, allowed us to preserve 100% of the protection flora: 6,619 specimens of 72 species. Our nursery collects a considerable number of specimens rescued and has a seed bank through we have initiated the organism propagation activities by germination.

**3. Rescue and relocation of fauna.** For the wild fauna of the site, we apply the same species rescue and relocation procedure that seeks to protect them during the construction process. The result of the program this year helped to relocate 54 rattlesnake specimens.

**4. Birds and bats monitoring program.** Since 2009, before the construction's start of Energía Sierra Juárez wind facility project, we engaged with the San Diego Zoo in a study to have a better understanding of the flight patterns and territories of the Californian condor and the golden eagle on the Mexico-United States border, close to the construction zone.

Additionally, the Jalapa Ecology Institute, (INECOL) in Veracruz carried out bird and bat sighting studies and evaluated their flight and migration patterns.

Energía Sierra Juárez (ESJ)



“ Our commitment begins from the projects’ planning and extends through their construction and operation.”



Nursery Energía Sierra Juárez

We have an Environmental Management and Monitoring Plan to ensure the monitoring and control of the mitigation measures applied in the entire project. With this, the impacts generated in the site preparation, construction, tests, commissioning, operation and maintenance phases are reduced gradually. The following programs are derived from this Plan:

1. Soils Protection and Conservation Plan
2. Fauna Protection and Conservation Plan
3. Flora Protection and Conservation Plan
4. Environmental Education Program
5. Comprehensive Waste Management Program

\*Assets belonging to the joint venture with InterGen, in which IEnova has a 50% stake.



“ In 2014, we rescued and relocated a total of 12,556 specimens belonging to 15 different species of flora. 244 specimens of 27 species of fauna were rescued and relocated.

**Los Ramones I\*\***

The route of this project does not impact Protected Natural Areas or those identified as being highly biodiverse.

In accordance with the sampling conducted prior to the construction of the gas pipeline, 35 species of flora and 27 species of fauna were identified. Of this universe, four species of flora and five species of fauna have some type of protection status according to Official Mexican Standard NOM-059-SEMARNAT-2010.

“ A total of 325 flora specimens belonging to 12 species and 417 fauna specimens of 65 different species were also rescued and relocated.

**Ethane Pipeline\*\***

The route of the pipeline does not impact Protected Natural Areas or those identified as being highly biodiverse. In accordance with the sampling conducted in the zones of the construction of the Ethane pipeline, we identified 32 species of flora and 65 species of fauna endemic to this region. Of this universe, nine species of flora and 22 species of fauna have some type of protection status according to Official Mexican Standard NOM-059-SEMARNAT-2010.

At Los Ramones I\*\* and the Ethane pipeline\*\*, the specimens of wild flora and fauna belonging to protected species were rescued as a mitigation measure in order to contribute to the conservation of the site's biodiversity.

\*\* Assets belonging to a joint venture with Pemex Gas y Petroquímica Básica (PGPB), in which IEnova has a 50% stake.



**MATERIALITY  
DISCLOSURES**

IENOVA

**MAY 2015  
SERVICE**

**GENERAL STANDARD DISCLOSURES**

Indicator and Description	Page / Direct Answer	External Assurance
<b>STRATEGY AND ANALYSIS</b>		
<b>G4- 1</b> Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	P. 2, 3	
<b>G4- 2</b> Provide a description of key impacts, risks, and opportunities.	P. 2, 3	
<b>ORGANIZATIONAL PROFILE</b>		
<b>G4- 3</b> Report the name of the organization.	P. 3	
<b>G4- 4</b> Report the primary brands, products, and services.	P. 12, 13	
<b>G4- 5</b> Report the location of the organization's headquarters.	Mexico City	
<b>G4- 6</b> Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P. 12, 13	
<b>G4- 7</b> Report the nature of ownership and legal form.	P. 3	
<b>G4- 8</b> Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	P. 10, 11, 14, 15, 50	
<b>G4- 9</b> Report the scale of the organization.	P. 46	
<b>G4- 10</b> Report the total number of employees by employment contract and gender.	P. 60-63	Yes, P. 112, 113
<b>G4- 11</b> Report the percentage of total employees covered by collective bargaining agreements.	6.3% of our employees are unionized.	Yes, P. 112, 113
<b>G4- 12</b> Describe the organization's supply chain.	P. 48	
<b>G4- 13</b> Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	P. 12, 13	
<b>COMMITMENTS TO EXTERNAL INITIATIVES</b>		
<b>G4- 14</b> Report whether and how the precautionary approach or principle is addressed by the organization.	P. 34-36	
<b>G4- 15</b> List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P. 5, 8, 9	
<b>G4- 16</b> List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization.	P. 43	

**GRI G4 Content  
Index** [G4-32]

Indicator and Description	Page / Direct Answer	External Assurance
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>		
<b>G4- 17</b> a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	P. 5, 46	
<b>G4- 18</b> a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P. 26, 27	Yes, P. 112, 113
<b>G4- 19</b> List all the material Aspects identified in the process for defining report content.	P. 27	Yes, P. 112, 113
<b>G4- 20</b> For each material Aspect, report the Aspect Boundary within the organization.	P. 5, 26, 27	Yes, P. 112, 113
<b>G4- 21</b> For each material Aspect, report the Aspect Boundary outside the organization.	P. 5, 26, 27	
<b>G4- 22</b> Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	P. 5, 26, 27	
<b>G4- 23</b> Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	P. 5, 26, 27	
<b>STAKEHOLDER ENGAGEMENT</b>		
<b>G4- 24</b> List of stakeholder groups engaged by the organization.	P. 22	Yes, P. 112, 113
<b>G4- 25</b> Basis for identification and selection of stakeholders with whom to engage.	P. 20, 21, 22 The selection of stakeholders is based on the identification and management of impacts both by the company and the stakeholders towards the company.	Yes, P. 112, 113
<b>G4- 26</b> Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P. 22-25	Yes, P. 112, 113
<b>G4- 27</b> Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	P. 24, 25	Yes, P. 112, 113
<b>REPORT PROFILE</b>		
<b>G4- 28</b> Reporting period (such as fiscal or calendar year) for information provided.	P. 4, 5	
<b>G4- 29</b> Date of most recent previous report (if any).	P. 26	
<b>G4- 30</b> Reporting cycle (such as annual, biennial).	P. 4, 5	

Indicator and Description	Page / Direct Answer	External Assurance
<b>G4- 31</b> Contact point for questions regarding the report or its contents.	Inside cover	
<b>GRI CONTENT INDEX</b>		
<b>G4- 32</b> a. 'In accordance' option the organization has chosen. b. GRI Content Index for the chosen option (see tables below). c. Reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	P. 100-113	
<b>ASSURANCE</b>		
<b>G4- 33</b> a. Organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Relationship between the organization and the assurance providers. d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	P. 4, 5	
<b>GOVERNANCE</b>		
<b>Governance Structure and Composition</b>		
<b>G4- 34</b> Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.	P. 20, 21, 40-42 <a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a> Page 181	
<b>G4- 36</b> Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.	P. 20 The Vice-Presidency of Corporate Affairs and Human Capital chairs the Sustainability Committee, which according to its Bylaws, is accountable to the upper governance body.	
<b>G4- 38</b> Composition of the highest governance body and its committees.	P. 40-42 <a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a> Page 181	
<b>G4- 39</b> Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	P. 41	
<b>G4- 40</b> Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	P. 41 <a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a> Page 181	

Indicator and Description	Page / Direct Answer	External Assurance
	P. 41	
<b>G4- 41</b> Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Whether conflicts of interest are disclosed to stakeholders.	<a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a> Page 181	
<b>Highest Governance Body's Role in Setting Purpose, Values, and Strategy</b>		
<b>G4- 42</b> Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.	<a href="http://media.corporate-ir.net/media_files/IROL/25/251830/cg/EstatutosSocialesIEnovaSABdeCV.pdf">http://media.corporate-ir.net/media_files/IROL/25/251830/cg/EstatutosSocialesIEnovaSABdeCV.pdf</a>	
<b>Highest Governance Body's Competencies and Performance Evaluation</b>		
<b>G4-44</b> a. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice.	P. 20, 41	
<b>Highest Governance Body's Role in Risk Management</b>		
<b>G4- 45</b> a. Highest governance body's role in the identification and management of economic, environmental, and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social impacts, risks, and opportunities.	P. 35 <a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a>	
<b>G4-46</b> Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	<a href="http://media.corporate-ir.net/media_files/IROL/25/251830/cg/EstatutosSocialesIEnovaSABdeCV.pdf">http://media.corporate-ir.net/media_files/IROL/25/251830/cg/EstatutosSocialesIEnovaSABdeCV.pdf</a>	
<b>G4-47</b> Frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities.	P. 35	
<b>Highest Governance Body's Role in Sustainability Reporting</b>		
<b>G4- 48</b> Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	P. 20	

Indicator and Description	Page / Direct Answer	External Assurance
<b>Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance</b>		
<b>G4- 49</b> Process for communicating critical concerns to the highest governance body.	P. 20	
<b>Remuneration and incentives</b>		
<b>G4- 51</b> a. Remuneration policies for the highest governance body and senior executives. b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental, and social objectives.	<a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a> Page 190	
<b>G4- 52</b> Process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	<a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a> Page 190	
<b>Ethics and Integrity</b>		
<b>G4- 56</b> Organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.	P. 18, 37, 38, 42	Yes, P. 112, 113
<b>G4- 57</b> Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	P. 38, 39	
<b>G4- 58</b> Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	P. 38, 39	Yes, P. 112, 113
<b>G4- DMA</b> a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach.	P. 26-29	Yes, P. 112, 113

## SPECIFIC STANDARD DISCLOSURES

Indicator and Description	Page / Direct Answer	Omission	External Assurance
<b>CATEGORY: ECONOMIC</b>			
<b>Aspect: Economic Performance</b>			
<b>G4- EC1</b> Report the direct economic value generated and distributed.	P. 57		
<b>G4- EC3</b> Where the plan's liabilities are met by the organization's general resources, report the estimated value of those liabilities.	P. 65		
<b>G4- EC4</b> Total monetary value of financial assistance received by the organization from governments during the reporting period.	The Company did not receive any financial aid from the government.		
<b>Aspect: Indirect Economic Impacts</b>			
<b>G4- EC7</b> Extent of development of significant infrastructure investments and services supported.	P. 74, 75		Yes, P. 112, 113
<b>G4- EC8</b> Examples of the significant identified positive and negative indirect economic impacts the organization has.	P. 47		
<b>Aspect: Procurement Practices</b>			
<b>G4- EC9</b> Percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally).	P. 47		
<b>CATEGORY: ENVIRONMENTAL</b>			
<b>Aspect: Materials</b>			
<b>G4-EN2</b> Percentage of recycled input materials used to manufacture the organization's primary products and services.	P. 86, 87		
<b>G4-EN3</b> Energy consumption	39, 557, 258 MMBTU (99.98% of natural gas and 0.02% of gasoline and diesel).		Yes, P. 112, 113
<b>Aspect: Water</b>			
<b>G4-EN8</b> Water withdrawals by source.	P. 88, 89		Yes, P. 112, 113
<b>G4-EN9</b> Total number of water sources significantly affected by withdrawal.	P. 88, 89		
<b>G4-EN10</b> Total volume of water recycled and reused by the organization.	P. 88, 89		
<b>Aspect: Biodiversity</b>			
<b>G4-EN11</b> Information for each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	P. 90-99 None of our operations installations is located in protected areas.		Yes, P. 112, 113

Indicator and Description	Page / Direct Answer	Omission	External Assurance
<b>G4-EN12</b> Nature of significant direct and indirect impacts on biodiversity with reference.	P. 90-99		Yes, P. 112, 113
<b>G4-EN13</b> Habitats protected or restored.	P. 90-99		
<b>Aspect: Emissions</b>			
<b>G4-EN15</b> Direct greenhouse gas (GHG) emissions (scope 1).	P. 84, 85		Yes, P. 112, 113
<b>G4-EN16</b> Energy indirect greenhouse gas (GHG) emissions (scope 2).	P. 84, 85		Yes, P. 112, 113
<b>G4-EN17</b> Other indirect greenhouse gas (GHG) emissions (scope 3).	P. 85		
<b>G4-EN19</b> Reduction of GHG emissions.	P. 84, 85		
<b>G4-EN21</b> NOx, SOx and other emissions.	P. 84, 85		
<b>Aspect: Effluents and Waste</b>			
<b>G4-EN22</b> Total water discharge by quality and destination.	P. 88, 89		
<b>G4-EN23</b> Total weight of hazardous and nonhazardous waste.	P. 86, 87		Yes, P. 112, 113
<b>G4-EN24</b> Total number and total volume of recorded significant spills.		There were no significant spillages. Pursuant to the Federal Environmental Protection Agency (PROFEPA) criteria (Criteria for the Classification of Environmental Emergencies in Organizations enrolled in the National Environmental Audit Program), an event can be considered as minor if the volume spilled is less than 1 m <sup>3</sup>	
<b>Aspect: Products and Services</b>			
<b>G4-EN27</b> Mitigation of environmental impacts of products and services.	P. 80-99		
<b>Aspect: Compliance</b>			
<b>G4-EN29</b> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	No fines or penalties were imposed.		Yes, P. 112, 113

Indicator and Description	Page / Direct Answer	Omission	External Assurance
<b>Aspect: Transport</b>			
<b>G4-EN30</b> Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	P. 80-99	Excludes environmental impacts caused by the transportation of personnel since this is not a material issue.	
<b>Aspect: Overall</b>			
<b>G4-EN31</b> Total environmental protection expenditures and investments by type.	Investments of USD\$ 4.6 million in the community, the environment, safety, health and compliance.		
<b>CATEGORY: SOCIAL</b>			
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>			
<b>Aspect: Employment</b>			
<b>G4-LA1</b> Total number and rate of new employee hires and employee turnover during the reporting period, by age group, gender, and region.	P. 60, 61	Information consolidated at IEnova level and not by operating unit.	
<b>G4-LA2</b> Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.	P. 65		Yes, P. 112, 113
<b>Aspect: Occupational Health and Safety</b>			
<b>G4-LA5</b> Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	P. 67		
<b>G4-LA6</b> Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	P. 70, 71		Yes, P. 112, 113
<b>G4-LA7</b> Whether there are workers who are involved in occupational activities who have a high incidence or high risk of specific diseases.	P. 70, 71		
<b>Aspect: Training and Education</b>			
<b>G4-LA9</b> Average hours of training per year per employee by gender, and by employee category.	P. 62		Yes, P. 112, 113

Indicator and Description	Page / Direct Answer	Omission	External Assurance
<b>G4-LA10</b> Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	P. 62, 63		
<b>G4-LA11</b> Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	P. 64		
<b>Aspect: Diversity and Equal Opportunity</b>			
<b>G4-LA12</b> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	P. 41, 42, 60		
<b>SUB-CATEGORY: HUMAN RIGHTS</b>			
<b>Aspect: Investment</b>			
<b>G4-HR2</b> Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	P. 66		
<b>Aspect: Non-discrimination</b>			
<b>G4-HR3</b> Total number of incidents of discrimination during the reporting period.	Two calls for discrimination and harassment were received by IEnova's complaint line.		Yes, P. 112, 113
<b>Aspect: Child Labor</b>			
<b>G4-HR5</b> Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	The Company's operations have no potential risks of child exploitation.		
<b>Aspect: Forced or Compulsory Labor</b>			
<b>G4-HR6</b> Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	The Company's operations have no potential risks of forced labor.		
<b>Aspect: Security Practices</b>			
<b>G4-HR7</b> Percentage of security personnel who have received formal training in the organization's human rights policies or specific procedures and their application to security.	All corporate security agents that provide their services to the IEnova companies are trained in human rights issues.		



Indicator and Description	Page / Direct Answer	Omission	External Assurance
<b>Aspect: Indigenous Rights</b>			
<b>G4-HR8</b> Total number of identified incidents of violations involving the rights of indigenous peoples during the reporting period.	No cases of breaches of indigenous peoples' rights were reported.		
<b>Aspect: Human Rights Claims Mechanisms</b>			
<b>G4-HR12</b> Total number of grievances about human rights impacts filed through formal grievance mechanisms during the reporting period.	No human rights claims were presented.		Yes, P. 112, 113
<b>SUB-CATEGORY: SOCIETY</b>			
<b>Aspect: Local Communities</b>			
<b>G4-S01</b> Percentage of operations with implemented local community engagement, impact assessments, and development programs.	P. 72, 73		Yes, P. 112, 113
<b>Aspect: Anti-corruption</b>			
<b>G4-S03</b> Total number and percentage of operations assessed for risks related to corruption.	P. 38, 73		
<b>G4-S04</b> Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.	P. 37		Yes, P. 112, 113
<b>G4-S05</b> Total number and nature of confirmed incidents of corruption.	No incidents of corruption were reported in the year.		
<b>Aspect: Public Policy</b>			
<b>G4-S06</b> Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary.	No financial or in-kind contributions were made to political parties.		
<b>Aspect: Anti-competitive Behavior</b>			
<b>G4-S07</b> Total number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant.	No incidents of unfair competition practices were reported in the year.		
<b>Aspect: Compliance</b>			
<b>G4-S08</b> Significant fines and non-monetary sanctions.	No fines were imposed.		
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>			
<b>Aspect: Customer Health and Safety</b>			
<b>G4-PR2</b> Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period.	P. 51 Not filed in 2014.		

Indicator and Description	Page / Direct Answer	Omission	External Assurance
<b>Aspect: Product and Service Labeling</b>			
<b>G4-PR4</b> Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling.	P. 51, 52 Not filed in 2014.		
<b>G4-PR5</b> Results or key conclusions of customer satisfaction surveys (based on statistically relevant sample sizes) conducted in the reporting period.	P. 52, 53		Yes, P. 112, 113
<b>SECTOR DISCLOSURES</b>			
<b>OG2</b> Total amount invested in renewable energy.		Energía Sierra Juárez (ESJ), a joint venture with InterGen. The initial phase will require a total investment of approximately US\$ 318 million.  <a href="http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf">http://www.bmv.com.mx/infoanua/infoanua_593734_2014_1.pdf</a>	
<b>OG3</b> Total amount of renewable energy generated by source.	P. 13		
<b>OG4</b> Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.	P. 90-99		
<b>OG13</b> Number of process safety events, by business activity.	P. 54-56		Yes, P. 112, 113

# Independent Assurance Report

**Deloitte.**

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## Independent assurance report to Infraestructura Energética Nova, S.A.B. de C.V. (IEnova) on the Sustainability Report 2014.

### Responsibilities of IEnova and Independent Reviewer

The elaboration of the Sustainability Report 2014 (SR 2014), as well as its content is responsibility of IEnova, who is also responsible for defining, adapting and maintaining the management systems and internal control from which information is obtained. Our responsibility is to issue an independent report based on the procedures applied during our review.

This report has been prepared exclusively for the management of IEnova in accordance with the terms of our agreement letter dated February 25<sup>th</sup>, 2015 and is not intended to be nor should it be used by someone other than this.

We have performed our work in accordance with the standards of independence required by The Code of Ethics of the International Federation of Accountants (IFAC).

### Scope of our work

The scope of our assurance was limited, and is substantially lower than a reasonable assurance work. Therefore, the security provided is also lower. This report in no case can be understood as an audit report. We conducted our review of the SR 2014 under the following conditions and / or criteria:

- The adaptation of the contents of the SR 2014 to the Global Reporting Initiative (GRI) Guidelines version 4 (G4) and according to the materiality study provided by IEnova.
- The review of the sustainability performance indicators reported according to the option Core and specified in the GRI Index of the SR 2014.
- The consistency of information contained in the SR 2014 with supporting evidence provided by the management.

### Assurance standards and procedures

We have performed our work in accordance with the International Auditing Standard ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB) of IFAC.

Our review work included the formulation of questions to the management as well as various areas of IEnova that have participated in the elaboration of the SR 2014 and the application of certain analytical and sample screening tests that are described below:

- Meetings with staff of IEnova to learn the principles, systems and applied management approaches.
- Analysis of the process to collect, validate and consolidate the data presented in the SR 2014.
- Analysis of scope, relevance and integrity of the information included in the SR 2014 in terms of the understanding of IEnova and of the requirements that stakeholders have identified as material aspects.
- Selected sample review from the evidence that supports the information included on the SR 2014.

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The following table details the performance indicators on sustainability reviewed according to the GRI Guidelines version 4:

G4-10	G4-24	G4-58	G4-EN11	G4-EN29	G4-SO4
G4-11	G4-25	DMA	G4-EN12	G4-LA2	G4-PR5
G4-18	G4-26	G4-EC7	G4-EN15	G4-LA6	G4-OG13
G4-19	G4-27	G4-EN3	G4-EN16	G4-LA9	G4-HR3
G4-20	G4-56	G4-EN8	G4-EN23	G4-SO1	G4-HR12

### Conclusion

Based on the work performed and described in this report, nothing comes to our attention that could make us believe that the SR 2014 contains significant errors or has not been prepared in accordance with the Core Option.

### Recommendations

Additionally we present our recommendations for strengthening future Sustainability Reports, which do not modify the conclusions expressed in this report:

- Include more information in the indicators reported in order to achieve a more exhaustive Sustainability Report with key information for stakeholders.
- Strengthen internal management for the processes related to gathering, analyzing and reporting information from the different areas. By updating policies and procedures, IEnova can designate responsible parties to validate information and develop efficient methodology for the next years.
- Evaluate the different community investment initiatives that will allow IEnova to identify key performance indicators that are strategic for the business, the environment and the community involved in the company's operation.

We have submitted a detailed report of recommendations to the External Affairs Officer of IEnova concerning areas of improvement in the sustainability strategy (specifically for the verified indicators) and the reporting process.

Galaz, Yamazaki, Ruiz Urquiza, S.C.  
Member of Deloitte Touche Tohmatsu Limited

*Rocio Canal Garrido*

Rocio Canal Garrido  
Sustainability Partner  
May 22<sup>nd</sup>, 2015

# Glossary

Acronym	
<b>BPC</b>	Millions of cubic feet
<b>CEMEFI</b>	Centro Mexicano para la Filantropía (Mexican Philanthropy Center)
<b>CFE</b>	Federal Electricity Commission
<b>CICESE</b>	Centro de Investigación Científica y de Educación Superior de Ensenada
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>ECA</b>	Energía Costa Azul S. de R.L. de C.V. LNG Storage and Regasification Terminal
<b>Ecogas</b>	Ecogas México, S. de R.L. de C.V., the natural gas distribution business
<b>ERM</b>	Enterprise Risk Management
<b>Energía Sierra Juárez o ESJ</b>	The 155 MW wind park located in Rumorosa, Baja California, currently in the development process. Energía Sierra Juárez U.S." Energía Sierra Juárez U.S., LLC, an affiliate of Semptra Energy.
<b>FCPA</b>	Foreign Corrupt Practices Act
<b>GAP</b>	Gasoducto Aguaprieta
<b>Gas LP</b>	Liquefied Petroleum Gas
<b>GNL</b>	Liquefied Natural Gas
<b>GPTW</b>	Great Place to Work
<b>GR</b>	Gasoducto Rosarito
<b>GW</b>	Giga-watts
<b>GWh</b>	Giga-watt hour
<b>HP</b>	Horse Power
<b>INova</b>	Infraestructura Energética Nova S.A.B. de C.V.
<b>INECOL</b>	Jalapa Ecological Institute, Veracruz
<b>IPC</b>	Prices and Quotations Index of the Mexican Stock Exchange ("BMV")
<b>ISO</b>	International Organization for Standardization
<b>IT</b>	Income Tax
<b>VAT</b>	Value Added Tax
<b>JV</b>	Joint Venture
<b>Km</b>	Kilometer
<b>kW</b>	Kilowatts
<b>kWh</b>	Kilowatts-hour



<b>LTAR</b>	Lost Time Accident Rate, The number of recordable accidents that result in lost days is used as a criterion.
<b>MPCD</b>	Millions of cubic feet daily
<b>MW</b>	Megawatts
<b>NOM</b>	Official Mexican Standard
<b>OCDE</b>	Organization for Economic Co-operation and Development
<b>OHSAS</b>	Occupational Health and Safety Assessment Series (Administración de Seguridad y Salud Ocupacional)
<b>PEMEX</b>	Petróleos Mexicanos
<b>PGPB</b>	Pemex Gas y Petroquímica Básica
<b>PMMM</b>	Marine Mammals Monitoring Program
<b>PROFECO</b>	Federal Environmental Protection Agency
<b>PROFEPA</b>	Federal Environmental Protection Agency
<b>SCADA</b>	Supervisory Control and Data Acquisition
<b>SCR</b>	Selective Catalytic Reduction
<b>SEMARNAT</b>	Ministry of the Environment and Natural Resources
<b>SEMPRA ENERGY</b>	The indirect controlling shareholder of the Company. It is incorporated in accordance with the laws of the State of California, USA
<b>MLSW</b>	Ministry of Labor and Social Welfare
<b>TDM</b>	Termoeléctrica de Mexicali, S. de R.L. de C.V. The Company's electricity generation plant.
<b>TGN</b>	Transportadora de Gas Natural de Baja California, S. de R.L. The Company's natural gas transportation pipeline.
<b>TRIR</b>	Total Recordable Incident Rate
<b>UABC</b>	Autonomous University of Baja California
<b>USD\$</b>	US dollars

### Chemical formulas

<b>CH<sub>4</sub></b>	Methane
<b>CO</b>	Carbon monoxide
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CO<sub>2</sub>e</b>	Carbon dioxide equivalent
<b>N<sub>2</sub>O</b>	Nitrogen oxide
<b>NOx</b>	Nitrogen oxides (applies to various compounds formed by oxygen and nitrogen)
<b>SOx</b>	Sulfur oxides (applies to various compounds formed by oxygen and sulfur)

### Glossary

<b>Carbon Dioxide equivalent</b>	Universal measurement used to indicate the possibility of global warming of each of the greenhouse effect gases.
<b>Benthonic fauna</b>	A group of organisms that live on sea beds.
<b>Voluntary turnover rate</b>	(Number of hirings in a year - number of voluntary redundancies in a year) / Total number of employees.
<b>Involuntary turnover rate</b>	(Number of hirings in a year - number of involuntary redundancies in a year) / Total number of employees.
<b>Total turnover rate</b>	(Number of hirings in a year - number of voluntary and involuntary redundancies in a year) / Total number of employees.
<b>Accident rate</b>	(Number of accidents x 200,000) / hours worked
<b>The Climate Registry</b>	A US-non-governmental organization that measures and verifies international carbon standards.
<b>Operative unit</b>	Refers to Infraestructura Energética Nova, S.A.B. de C.V.'s (IEnova) companies in operation in its gas and power segments.

The definitions were taken from internal IEnova documents, the Royal Spanish Language Academy (RAE) and the United Nations' Rio Declaration on the Environment and Sustainable Development.



**EMPRESA  
SOCIALMENTE  
RESPONSABLE**

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