



Sustainability Supplement

Committed to reducing process
and fugitive emissions

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Never has the critical role of energy been more clear. Whether it is the energy needed for hospitals, medical research centers or manufacturing plants to operate, or for the many people who found themselves spending more time than ever before in their homes over the past year and a half, energy infrastructure has played a vital part in supporting those who have worked, studied or cared for their families during unprecedented times.

For two decades, the Sempra family of companies has been on a deliberate path to decarbonize our business operations as well as the markets we serve. We believe that the global energy transition is our moonshot opportunity, and we working to redefine the role of a modern energy company in three key ways: [innovation, sustainability and leadership](#). We are committed to accelerating the transition to a net-zero future through resilient and reliable energy infrastructure.

With the global energy transition comes several great challenges: The need to continue decarbonizing the mature economies of the developed world, and the concurrent need to diversify and decarbonize emerging markets, while helping to solve energy poverty and in the face of projected increases in energy demand. Sempra is positioned to continue to play a leading role in addressing these issues - helping to meet the rising demand for energy as economies across the globe continue to expand, while maintaining a focus on decarbonizing the energy we use in our operations and the energy being delivered to our customers.

Natural gas in partnership with renewables

The gas system has a distinct role to play in the energy transition - it delivers fuels affordably, is resilient to disruptions, and has the potential to work in tandem with intermittent sources of renewable energy (e.g., solar and wind) to help provide reliability and resiliency. For instance, through our underground gas pipeline infrastructure in California, we're enabling increasing volumes of renewable natural gas in the state by supporting peaking and seasonal energy demand. We're also flowing renewable natural gas (RNG) with low- to negative carbon intensity factors to serve heavy duty transportation markets.

As outlined in The Energy Futures Initiative report titled *The Future of Natural Gas in a Deeply Decarbonized World*, the combination of switching from more carbon intensive fuels to gas, increased integration of renewable energy leveraging a reliable and flexible gas system, and implementation of energy efficiency measures can help continue to decrease emissions from the energy system. ¹

As we embrace the benefits that clean fuels and gas infrastructure can provide, we must also continue to reduce emissions in the gas system and drive improvements through technology and innovation.

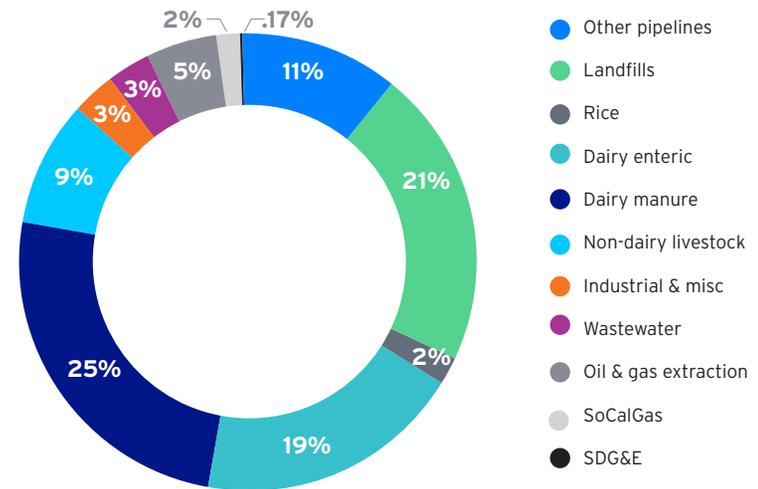
Learn more in our supplement on [natural gas and the energy transition](#).

Reducing process and fugitive methane emissions

Our operating companies continue to work to improve the efficiency of their energy systems. This includes reducing process and fugitive emissions. As described in our [2020 Corporate Sustainability Report](#), our goal is to achieve 40% reduction in fugitive emissions from our gas distribution system by 2030 measured against a 2015 baseline. ²

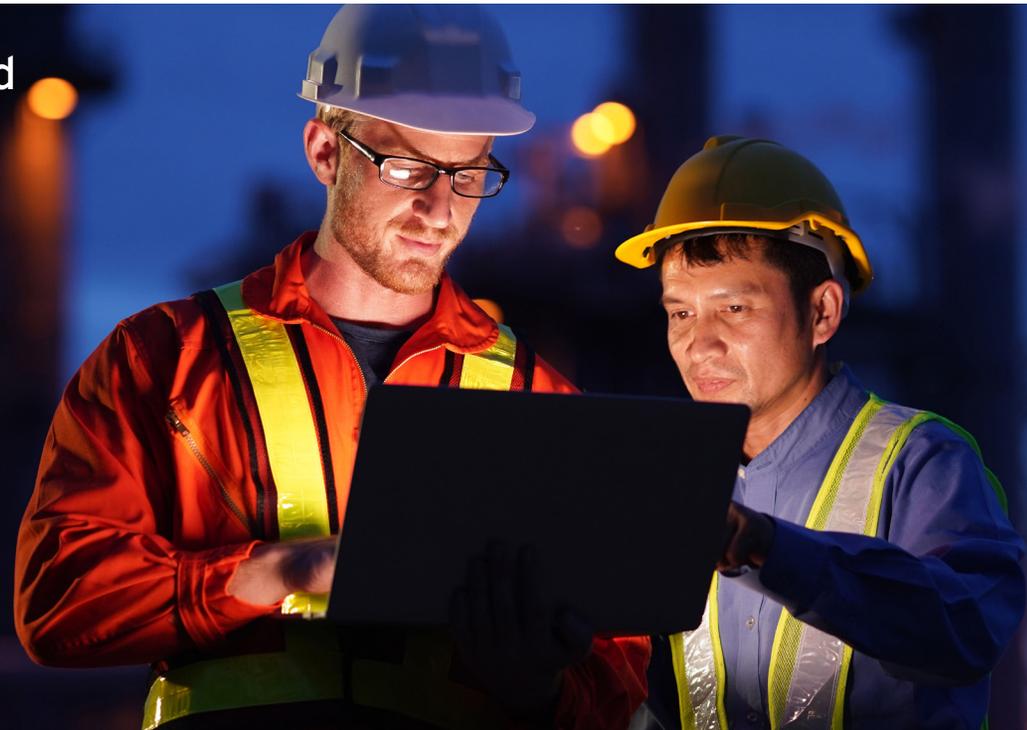
Across the Sempra companies, scope 1 fugitive and process methane emissions represent approximately 25% of Sempra’s scope 1 and 2 emissions. SoCalGas and SDG&E operate their gas delivery systems with extraordinary efficiency, delivering 99.80% and 99.85%, respectively of the gas entering the system to end-users in 2020.³ Based on the latest California Air Resources Board (CARB) 2019 inventory, SDG&E and SoCalGas’ gas distribution methane emissions represent less than 4% of total methane and less than .5% of the total greenhouse gases in California.

2019 California methane emissions



Source: CARB 2019 GHG inventory overlaid with 2020 emissions data for SoCalGas and SDG&E <https://ww2.arb.ca.gov/ghg-inventory-data>

Fugitive emissions are unintended emissions from facilities or activities, usually occurring as a result of leaks or other types of releases of natural gas.



Committed to reducing process and fugitive emissions

As part of our efforts to address methane emissions being released into the atmosphere, we seek input from a wide range of stakeholders as we update our infrastructure and processes to effectively measure, monitor and reduce emissions. We work with partners such as ONE Future, the American Gas Association's Natural Gas Sustainability Initiative, and California regulators on Senate Bill (SB) 1371, which all use different methodologies to calculate methane emissions intensity - a key measure of progress on efforts to reduce emissions.

Our work to reduce the emissions of our gas system is focused on three key areas:

1. **Accelerating with innovation:** SoCalGas and SDG&E use the latest advanced monitoring technologies, including aerial surveys (e.g., drones), fiber optic cable and point sensors to identify emissions and monitor operations. During planned large pipeline maintenance projects, we work to capture natural gas that would otherwise be released into the atmosphere. We also explore new innovations, including a system with the potential to use surplus renewable energy to create carbon-free hydrogen gas. When

added to our natural gas system, hydrogen (a zero-emissions gas) not only lowers the carbon intensity of the gas but can act like a battery to store renewable energy and support increased penetration of solar and wind resources on the electric grid.

2. **Industry leading best practices:** SoCalGas and SDG&E implement strong management practices through programs such as the U.S. Environmental Protection Agency's (EPA) Natural Gas STAR program and the Methane Challenge. Our U.S. companies comply with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration regulations for infrastructure monitoring and testing. We abide by California state law, including Senate Bill 1371, which specifies 26 leading industry best practices for leak prevention, detection and repair
3. **Advancing continuous improvements:** SoCalGas and SDG&E prioritize the replacement of pipelines to enhance the integrity of our distribution system and work to capture methane emissions from landfills and sewage treatment plants - and repurpose them in our natural gas distribution system. SoCalGas has a goal that renewable natural gas will constitute 20% of the natural gas it delivers to core customers by 2030.⁴

1993

SoCalGas eliminates cast-iron pipes from its system

1994

SoCalGas founding member of EPA's voluntary methane reduction program, Natural Gas STAR

1995

SDG&E eliminates cast-iron pipes from its system

2003

First Smart PIG (in-line-inspection tool)

2005

First hydrostatic pressure test at SoCalGas

2009

Initiation of advanced meter deployment projects at our California utilities

2013

Kick-off of the Pipeline Safety Enhancement Plan, a multi-billion-dollar program to test and modernize natural gas pipeline infrastructure

Investing in technology and innovation

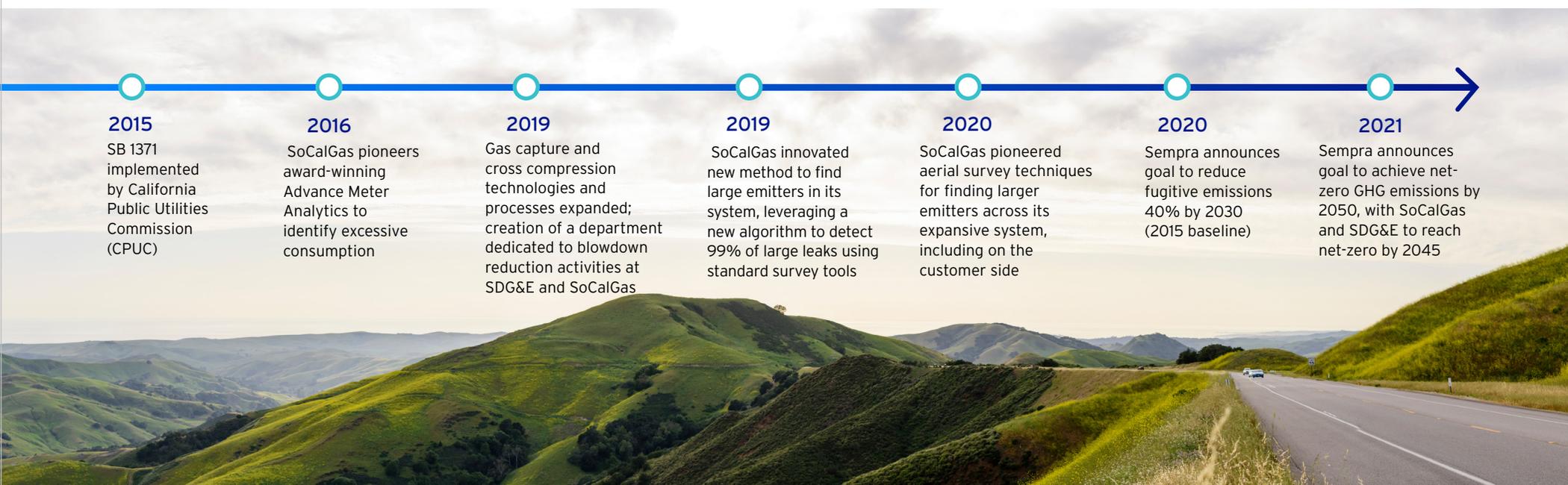
SoCalGas and SDG&E have long been striving to implement strong leak-prevention practices, ranging from special leak surveys for pipelines and enhanced methane detection practices, to reducing emissions from operations and maintenance, and modernizing pipe fittings to help minimize leaks.

Decades of voluntary work in early adoption and innovation have helped our companies identify and reduce emissions. SoCalGas voluntarily began implementing and developing strong management practices to reduce its fugitive emissions as an original member of the EPA's Natural Gas STAR program beginning in the early 1990s. Ongoing infrastructure improvements, such as eliminating high-bleed pneumatic devices and cast-iron pipes, have modernized and tightened the system.

Legislation, such as Senate Bill 1371, has helped formalize accountability in this area and support the efforts at SoCalGas and SDG&E by codifying and requiring gas distribution utilities to reduce methane emissions to the extent feasible from their operations, while prioritizing safety, reliability and affordability.

Now, we are working to accelerate innovation and advancements in emission reduction and mitigation strategies and practices. We are not only investing in new technologies, programs and procedures to detect leaks, but also technologies tied to managing our gas infrastructure more effectively. These include:

- Advanced meters to identify leaks on the customer side;
- Real-time monitoring of transmission pipelines from a state-of-the-art gas control center
- Fiber optic cables to detect methane leaks and third-party damage to pipelines in real time
- Infrared cameras to check for leaks in newly installed pipelines
- Infrared “point” sensors to detect leaks even before odorant can be detected
- In-line inspections tools, or “smart pigs”
- External corrosion surveying



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Digitalization technologies are critical enablers of value creation, integrating real-time data and analytics for the benefit of all stakeholders. Our portfolio of digitalization initiatives reflects a commitment to continued innovation, including:

- Using drones, artificial intelligence (AI) and machine learning to inspect assets;
- Using digital twins to model distribution system risks and improve system planning;
- Applying AI and machine learning to detect third-party equipment and identify risks; and
- Modernizing customer service platforms to improve customer engagement and gain insights.

Aerial methane mapping

One key example of industry-leading innovation is the use of aerial methane mapping using geospatial data - one of the most advanced technologies deployed to detect system leaks. It incorporates Light Detection and Ranging (LiDAR) technology to detect dispersion, density and height of methane plumes, as well as aerial footage. Drone-mounted lasers provide additional leak detection, localization and quantification capabilities to pin-point leaks.

The process then leverages artificial intelligence to dynamically compare the collection of data sets to better identify and isolate leaks associated with pipelines. The use of this technology has increased the speed and accuracy of leak detections, allowing SoCalGas to better assess and enhance remediation efforts and investigations.

SoCalGas' efforts to support the effective mitigation of potential leaks across its vast system have resulted in the company reducing its methane emissions by approximately 19.7% from 2015 levels in 2020 - well on the way to its target of 20% by 2025 and 40% by 2030.



Advancing a better future for all

We understand an important part of our effort to reach net-zero by 2050 will include tracking and reporting our emissions so that we can identify the best ways in which to reduce them. We know continued investment in technology and innovation will be key.

Our companies' vast gas pipeline infrastructure systems, spanning thousands of miles, require a suite of technologies to support the effective mitigation of emissions into the atmosphere. As part of our strategy focused on decarbonization, diversification and digitalization, we are not only developing and investing in technologies to address process and fugitive emissions, but also innovations designed to make a successful global energy transition possible.

¹ https://static1.squarespace.com/static/58ec123cb3db2bd94e057628/t/60c6d79fb49a1c21bd45921c/1623644077072/GlobalGasStudy_v08.pdf

² SDG&E, SoCalGas and IEnova contribute to this goal.

³ Data based on California's Senate Bill 1371 "Natural Gas Leakage Abatement Program" system wide emission rate reported in 2021 for 2020 emissions. SoCalGas: <https://www.socalgas.com/regulatory/R1501008> | SDG&E: <https://www.sdge.com/regulatory-filing/14356/natural-gas-leakage-abatement-rulemaking>

⁴ SoCalGas aims to provide 20% renewable natural gas to its "core service" as defined in SoCalGas Tariff Rule No. 23, by 2030. SoCalGas will need the support of state regulators, such as establishing RNG targets or goals to be considered by the CPUC as part of SB 1440, in order to meet its 2030 goal. We can provide no assurance that we will receive the required support of state legislators.

For more information on Sempra's sustainability efforts, please visit www.sempra.com/sustainability or email us at sustainability@sempra.com.

This supplement contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on assumptions with respect to the future, involve risks and uncertainties, and are not guarantees. Future results may differ materially from those expressed in any forward-looking statements. These forward-looking statements represent our estimates and assumptions only as of the date of this supplement. We assume no obligation to update or revise any forward-looking statement as a result of new information, future events or other factors.

In this supplement, forward-looking statements can be identified by words such as "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," "should," "could," "would," "will," "confident," "may," "can," "potential," "possible," "proposed," "in process," "under construction," "in development," "target," "outlook," "maintain," "continue," "goal," "aim," "commit," or similar expressions, or when we discuss our guidance, priorities, strategy, goals, vision, mission, opportunities, projections, intentions or expectations.

Factors, among others, that could cause actual results and events to differ materially from those described in any forward-looking statements include risks and uncertainties relating to: California wildfires, including the risks that we may be found liable for damages regardless of fault and that we may not be able to recover costs from insurance, the wildfire fund established by California Assembly Bill 1054 or in rates from customers; decisions, investigations, regulations, issuances or revocations of permits and other authorizations, renewals of franchises, and other actions by (i) the California Public Utilities Commission (CPUC), Comisión Reguladora de Energía, U.S. Department of Energy, U.S. Federal Energy Regulatory Commission, Public Utility Commission of Texas, and other regulatory and governmental bodies and (ii) states, counties, cities and other jurisdictions in the U.S., Mexico and other countries in which we do business; the success of business development efforts, construction projects and acquisitions and divestitures, including risks in (i) the ability to make a final investment decision, (ii) completing construction projects or other transactions on schedule and budget, (iii) the ability to realize anticipated benefits from any of these efforts if completed, and (iv) obtaining the consent or approval of partners or other third parties, including governmental entities; the resolution of civil and criminal litigation, regulatory inquiries, investigations and proceedings, and arbitrations, including those related to the natural gas leak at Southern California Gas Company's (SoCalGas) Aliso Canyon natural gas storage facility; changes to laws, including proposed changes to the Mexican constitution that could materially limit access to the electric generation market and changes to Mexico's trade rules that could materially limit our ability to import and export hydrocarbons; failure of foreign governments and state-owned entities to honor their contracts and commitments and property disputes; actions by credit rating agencies to downgrade our credit ratings or to place those ratings on negative outlook and our ability to borrow on favorable terms and meet our substantial debt service obligations; the impact of energy and climate goals, policies, legislation and rulemaking, including actions to reduce or eliminate

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reliance on natural gas generally and any deterioration of or increased uncertainty in the political or regulatory environment for California natural gas distribution companies; the pace of the development and adoption of new technologies in the energy sector, including those designed to support governmental and private party energy and climate goals, and our ability to timely and economically incorporate them into our business; weather, natural disasters, pandemics, accidents, equipment failures, explosions, acts of terrorism, information system outages or other events that disrupt our operations, damage our facilities and systems, cause the release of harmful materials, cause fires or subject us to liability for property damage or personal injuries, fines and penalties, some of which may not be covered by insurance, may be disputed by insurers or may otherwise not be recoverable through regulatory mechanisms or may impact our ability to obtain satisfactory levels of affordable insurance; the availability of electric power and natural gas and natural gas storage capacity, including disruptions caused by failures in the transmission grid or limitations on the withdrawal of natural gas from storage facilities; the impact of the COVID-19 pandemic, including potential vaccination mandates, on capital projects, regulatory approvals and the execution of our operations; cybersecurity threats to the energy grid, storage and pipeline infrastructure, information and systems used to operate our businesses, and confidentiality of our proprietary information and personal information of our customers and employees, including ransomware attacks on our systems and the systems of third-party vendors and other parties with which we conduct business; the impact at San Diego Gas & Electric Company (SDG&E) on competitive customer rates and reliability due to the growth in distributed and local power generation, including from departing retail load resulting from customers transferring to Direct Access and Community Choice Aggregation, and the risk of nonrecovery for stranded assets and contractual obligations; Oncor Electric Delivery Company LLC's (Oncor) ability to eliminate or reduce its quarterly dividends due to regulatory and governance requirements and commitments, including by actions of Oncor's independent directors or a minority member director; volatility in foreign currency exchange, inflation and interest rates and commodity prices and our ability to effectively hedge these risks and with respect to interest rates, the impact on SDG&E's and SoCalGas' cost of capital; changes in tax and trade policies, laws and regulations, including tariffs and revisions to international trade agreements that may increase our costs, reduce our competitiveness, or impair our ability to resolve trade disputes; and other uncertainties, some of which may be difficult to predict and are beyond our control. These risks and uncertainties are further discussed in the reports that Sempra has filed with the U.S. Securities and Exchange Commission (SEC). These reports are available through the EDGAR system free-of-charge on the SEC's website, www.sec.gov, and on Sempra's website, www.sempra.com. Investors should not rely unduly on any forward-looking statements.

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