



# Howard Energy Partners 2021

ESG Report



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# About the Report

Howard Energy Partners (“Howard Energy”) has always believed in long term value creation. As a prudent operator with a forward-looking approach, we not only comply with applicable regulation, we seek to implement and improve upon industry best practices. In our inaugural report, we are attempting to translate the things we have always believed in into the metrics and terminology used within the evolving ESG ecosystem.

Our 2021 ESG Report highlights the policies, processes, and procedures used by Howard Energy to evaluate its performance with regard to Environmental, Social, and Governance (ESG) criteria, as well as our goals and vision to act as a force for good and promote sustainable development in our host countries. The report reviews the application of our core values and supporting policies across our business. We include information in this report based on internal discussions, external stakeholder feedback, and consultations with third-party experts. Howard Energy intends to regularly report on our Environmental, Social, and Governance policies, procedures, and performance through an annual ESG Report.

## Reporting Scope and Boundary

Unless otherwise noted, the environmental and operational data presented in this report includes all assets owned or operated by Howard Energy and the safety and health data represent all Howard Energy employees. This report primarily presents issues, impacts and data from the fiscal year ending Dec. 31, 2021.

## Reporting Standards and Frameworks

To help guide Howard Energy’s environmental, social and governance (ESG) performance disclosures, we assessed several recognized reporting standards and frameworks, including the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) standards for voluntary ESG reporting and Task Force on Climate-related Financial Disclosures (TCFD) recommendations for voluntary disclosure of climate risks and opportunities. We also assessed how ESG topics relevant to Howard Energy relate to the United Nations Sustainable Development Goals (UN SDGs). In the appendix to this report, we map data points to both the GRI and SASB standards.

## Disclaimer

This report contains forward-looking statements relating to Howard Energy’s operations that are based on management’s current expectations, estimates and projections. These statements are not guarantees of future conduct or policy and are subject to certain risks, uncertainties and other factors, many of which are beyond the company’s control, including government regulation and oil and gas prices. See Forward-Looking Statements Warning at the end of this report.

The actual conduct of our activities, including the development, implementation or continuation of any program, policy or initiative discussed or forecasted in this report, may differ materially in the future. As with any projections or estimates, actual results or numbers may vary.

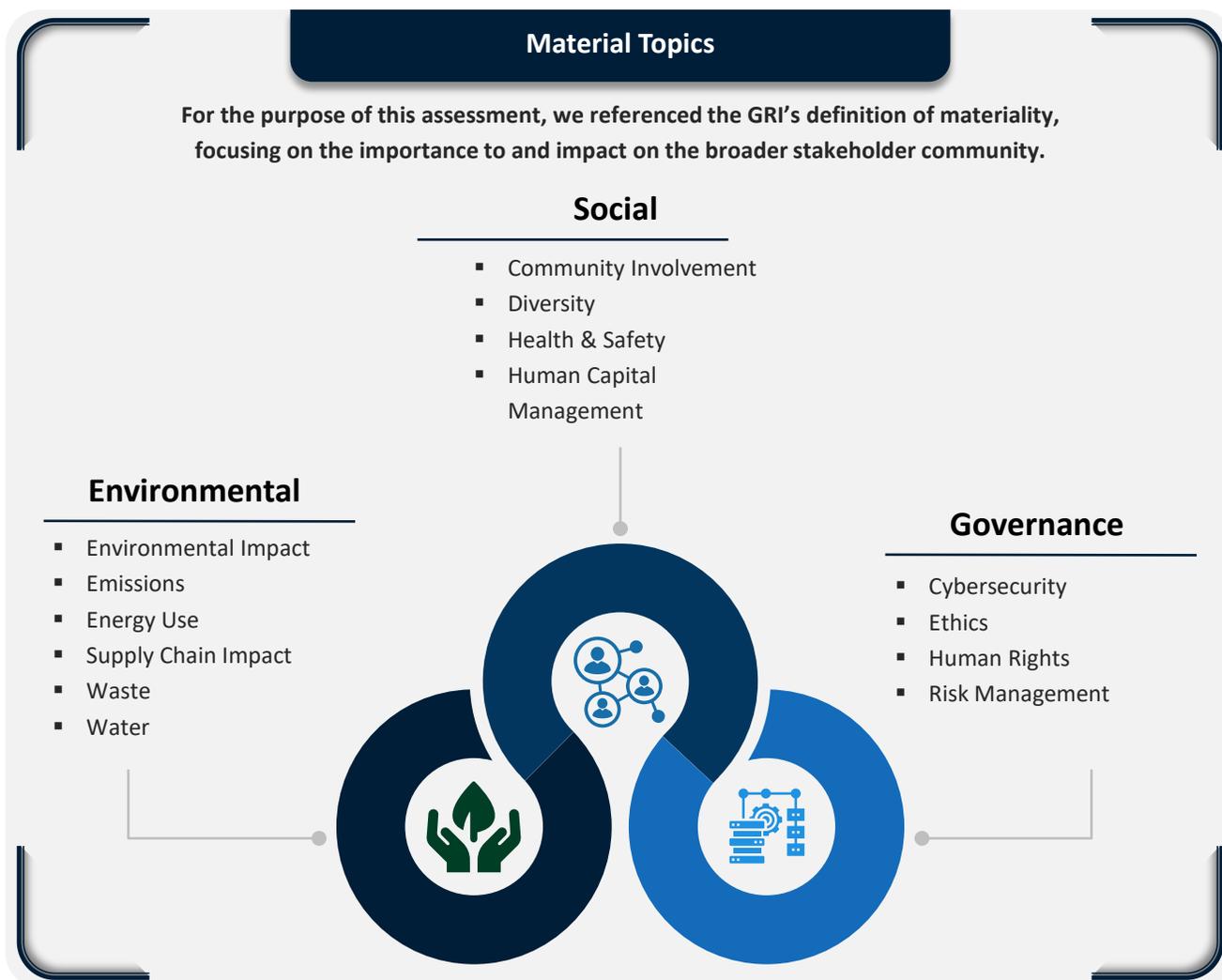
Many of the standards and metrics used in preparing this report continue to evolve and are based on management assumptions believed to be reasonable at the time of preparation but should not be considered guarantees. The statements of intention in this report speak only as of the date of this report. Howard Energy undertakes no obligation to update publicly any statements in this report.

This report contains terms used by GRI and SASB, as well as information about how the disclosures in this report align with the recommendations of GRI and SASB. In doing so, Howard Energy does not intend to endorse or adopt and is not endorsing or adopting these phrases or recommendations. In using these terms and referencing the recommendations, Howard Energy is not obligating itself to use the terms in the way defined by GRI, SASB and TCFD, nor is it obligating itself to comply with any specific recommendations or to provide any specific disclosure. Howard Energy makes no representation or warranty as to the GRI and SASB’s use or definition of specific terms or recommendations.

## Materiality Assessment

In partnership with Pickering Energy Partner's ESG Consulting team, Howard Energy conducted a formal materiality assessment in 2021 to identify the issues that matter most to our business and stakeholders. The assessment process began with the recommended practices outlined by relevant frameworks to understand topics that reflect our company's ESG profile, including those topics that could substantively influence the assessment and decisions of stakeholders. We reviewed ESG reporting frameworks, peer company reports, and ESG data providers and ratings agencies to identify Howard Energy-specific topics of significance. We then identified the materiality of issues based on the following criteria:

- Frequency a topic was raised by stakeholders.
- Likelihood and ability of a topic to impact our business objectives.
- How the business' performance around a topic affects stakeholders.





## CEO Letter to Stakeholders

A couple of years ago, I began to really question what we were doing at Howard Energy.

The climate is changing. The earth has warmed 1°C in the last 170 years. Sea levels have risen about 8". Scientists are reporting that extreme weather events are becoming more common. And much of the blame for this was being laid at the feet of our industry.

But the image of our industry as a threat to civilization doesn't fit with my experience. Every day I see pride in the faces of our employees that comes from knowing that we produce something that the entire world needs and that – on balance – makes the world a safer, better, and more comfortable place to live in.

Too often the discussion about GHG emissions is divorced from the value of the activities they enable. At Howard Energy, we try to never forget that we produce CO2 primarily as a part of processes that materially improve human life. Low cost, reliable energy has fueled the economics in the areas we operate and lifted millions out of poverty. Further, as we have seen dictators and autocrats use energy sources as a geopolitical weapon, we view the provision of energy sourced from the United States as a force for peace and sustainability in the world.

Nevertheless, we take seriously our obligation to provide that energy in the most responsible way possible. The best example of this is natural gas which we gather and process and which makes up more than 60% of our EBITDA. The United States' shift to natural gas from coal has done more than anything else to lower the country's CO2 emissions, almost 25% since 2005. Our Nueva Era Pipeline in Mexico displaces somewhere between 8 - 11 Mtpa of CO2 that would have otherwise been produced from the burning of fuel oil or coal.

Yet stakeholders are demanding we do even more. And because we are committed to continuing to deliver the energy that people need to flourish, we are listening. With our acquisition of the Javelina Off-Gas Recycling Facility in Corpus Christi in 2021, almost 10% of our EBITDA now comes from the sale of hydrogen and the decarbonization of the six Corpus Christi refineries off-gas streams. Starting in 2023, more than 10% of our EBITDA will come from the operation of a Renewable Diesel Logistics facility, which will produce 470 MM gallons per year of renewable diesel with 20% of the carbon footprint of traditional diesel.

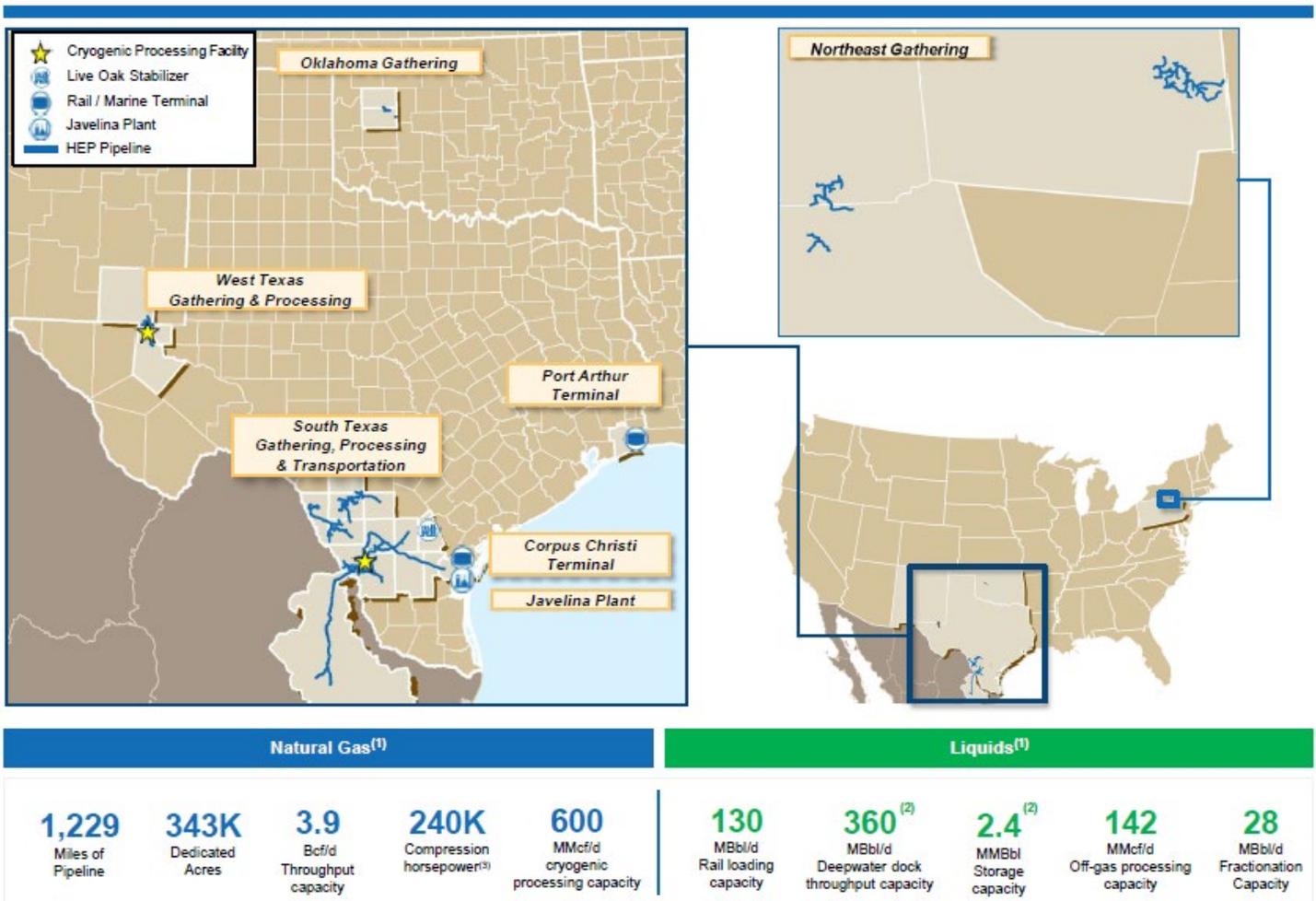
I don't question what we are doing at Howard Energy any more. Ours is the industry that powers every other industry, and we take this charge seriously. We hope that this report can serve as a guide for all the things we do to demonstrate our commitment to the environment, to society, and to transparent governance, and how we propose to continue to delivering positive energy – in whatever form that might take – for a long, long time.

Thank you,

**Mike Howard**

# Our Company

Howard Energy is a diversified, growth-oriented energy company focused on delivering positive, life-improving energy to the market.



## Our Purpose – to Deliver Positive Energy

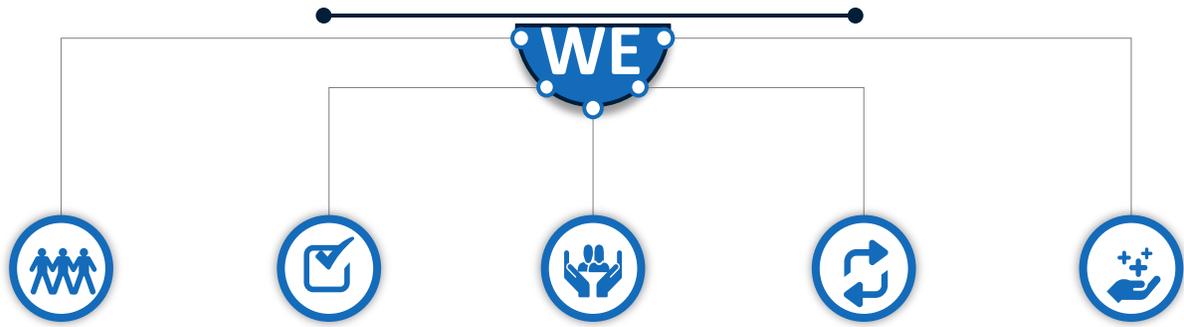
### A Meaningful Endeavor

We are more than just an energy company. We are part of the industry that powers every other industry. As such, we impact our customers on multiple levels: in the home, at the store, at work and transporting them in between. The reliance by our world on energy imparts a special responsibility on us to be efficient, economical, and respectful of our environment. We approach our work as a team of individuals with shared values working towards a common goal, to deliver positive energy.

Every day we encourage our employees to come to work with purpose and excitement about what the future holds. We help provide clean, reliable energy that powers communities and businesses across the U.S. and Mexico, and improves people’s quality of life. That truly is a meaningful endeavor.

We are also growing together as people and leaders. Through leadership training, community programs, and continuous career growth opportunities, we empower our teams to find their purpose, be imaginative, and embrace growth both personally and professionally.

# Our Core Values



## Stand Together

*As a Family. As a Team.*

We hold weekly, monthly, and quarterly management team meetings to ensure honesty, fairness and transparency throughout all our businesses. We value an inclusive workplace, treating all our employees and stakeholders fairly and without prejudice to gender, race, age, religion, disability, or socioeconomic status. We are a family and a team and believe in treating each other with respect.

## Do the Next Right Thing

*Even When the Next Right Thing Is Hard*

Integrity is a key aspect of our company. We act with integrity in all our stakeholder relationships by doing the next right thing... And then doing the next right thing again. Integrity is an ongoing process, not just a one-time event. Doing the next right thing is foundational to all our other values.

## Stay Safe

*Stop. Think. Execute.*

We integrate safety into everything we do. Our safety motto “Stop-Think-Execute” not only guides how we approach safety, but all our compliance programs, including ESG. ESG – environmental, social, and governance – is not new to us. We incorporate ESG policies and metrics into everything we do – and we always have. We do this not only because it makes good business sense, but because it is the right thing to do.

## Embrace Change

*Because Change is the Only Constant.*

We believe in long-term growth, and change is a necessary part of growth. Howard Energy continues to evolve and just as the energy industry changes, so do we year after year. Growth and evolution provide employees a dynamic culture in which to develop and advance.

## Create Lasting Value

*To Perpetuate Our Purpose.*

We have built a sizeable and diversified asset footprint that spans the Texas Gulf Coast, the Eagle Ford in South Texas, the Permian Basin in West Texas, the Marcellus Shale in Pennsylvania, the STACK in Oklahoma, and Mexico. It is important to us to make the world a better place by providing safe and reliable operations, supporting the communities in which we live and work, and helping to deliver abundant, reliable energy to the people who need it. We drive economic development by creating jobs and building energy infrastructure that provides affordable, low cost energy to millions of homes and businesses.

# ESG at Howard Energy

## Stakeholder Engagement

We are committed to staying safe because we want all of our employees to come home to their families every day. Additionally, we live in the communities where we operate, and we view safety as critical to being a good community citizen.

Further, we have all endured the vicious cycles of this industry, but we are committed to standing together so that when the dust settles and other companies have pulled up stakes, we will still be here.

We apply the same commitment to corporate transparency to all of our dealings with our stakeholders and are willing to do the right thing commercially even when that right thing costs us more money.

We embrace change because we understand that change is always a moment for differentiating ourselves from our peers. We know that by doing all of these things, we create long-term value for our customers, our communities, our employees, and our investors.

	Engagement Format	Topics of Engagement
 <b>Customers</b>	<p>We engage with customers daily. Our commercial, engineering and operations work directly with customers to meet their needs.</p>	<p>The topics we focus on with our customers are based around Howard Energy's ability to transport products through our facilities. Day-to-day changes in our customers' needs are accommodated by Howard Energy's scheduling and operations teams. These teams plan and operate depending on the loads required by our customers. The longer-term needs of the customers are accommodated by our engineering and operations teams. These needs primary focus on construction of new facilities.</p>
 <b>Vendors</b>	<p>Howard Energy vets all significant engineering and operational contractors using IS Network. IS Network scores companies on their OSHA safety stats, safety questionnaire, citation record, insurance, and drug and alcohol plan. Depending on the project, Howard Energy selects contractors through a bid process, which is not solely focused on price. Howard Energy makes decisions based on the data from IS Network, the location of the vendors (local vendors are preferred), and the work/project history of vendors.</p>	<p>Most of the topics related to vendors focus on safety. Howard Energy will not use vendors if their safety record is not satisfactory.</p> <p>Howard Energy also like to use local vendors who can, if possible, source local materials. This supports local communities where most Howard Energy employees live in.</p> <p>Howard Energy evaluates a vendor's project history and chooses vendors that align with our values.</p>
 <b>Employees</b>	<p>Howard Energy performs employee engagement surveys throughout the year. The company also conducts employee performance evaluations each year.</p>	<p>Howard Energy surveys give the employees a chance to voice what they do and do not like about the workplace. The survey measures employee engagement and provides feedback that management uses to guide decisions.</p> <p>Howard Energy employee evaluations allow employees to receive feedback from their supervisor. This grants employees a direct dialogue on what they are doing right, what they can improve on, and anyway their supervisor can guide them.</p>
 <b>Community</b>	<p>Howard Energy participates in Paradigm Public Liaison meetings throughout the operating areas. This is done every year. These meetings give Howard Energy employees the chance to meet with landowners, homeowners, public officials, and first responders in the area. Howard Energy also send mailouts to properties, homeowners, and business near its facilities once a year. These mailouts include reply cards with a questionnaire and areas for comments.</p>	<p>Most topics brought up by the community stems from general curiosity. They want to know if a pipeline runs on their land, or how to see a map of all the pipelines in the area. They want to know more about our company, and sometimes even if we're hiring.</p> <p>Many of the public liaison meetings are to talk about pipeline safety and what to do in the event of a leak in the area. This leads to many in the community asking about Howard Energy's pipeline safety record and if there have been any leaks in the area.</p>

# Environmental

## Environmental Highlights



**3%**

**Decrease in Scope 1 Intensity Since 2019**

Scope 1 intensity calculated as scope 1 emissions in metric tons of CO2 equivalents divided by revenue in millions USD



**48%**

**Lower Waste Intensity Than Benchmark**

Waste intensity calculated as metric tons of waste generated divided by revenue in millions USD; Compared to Midstream Benchmark\*



**96%**

**Decrease in Spill Intensity Since 2019**

Spill intensity calculated as spill volume in barrels divided by revenue in millions USD



**10%**

**Lower Energy Intensity Than Benchmark**

Energy intensity calculated as energy used in gigajoules (GJ) divided by revenue in millions USD; Compared to Midstream Benchmark\*

## Environmental Impact

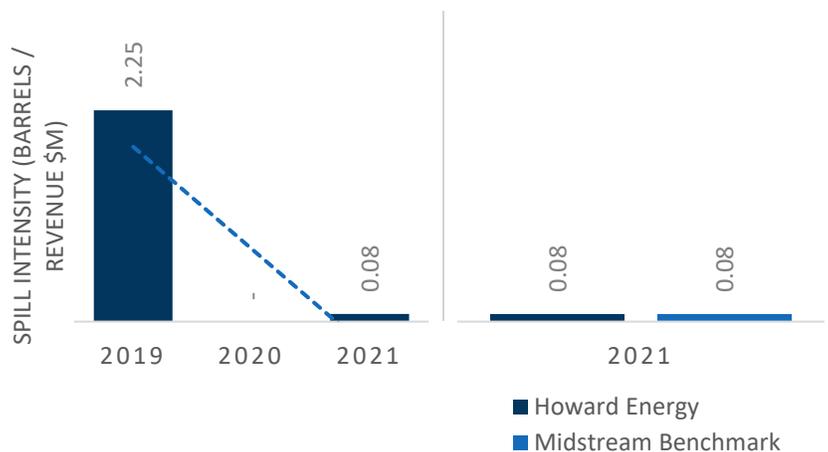
### Environmental Performance and Programs

The company reports to and works with state regulators to reduce its impact on native ecosystems and species. When constructing pipelines or facilities, the Company attempts to avoid protected conservation status areas and endangered species habitat. If a project requires operation in one of these areas, we work to reduce the impact by minimizing our footprint and using recognized best management practices to mitigate our operations. Frequently, we leave the areas we install pipelines and facilities in better condition than before by seeding Rights of Ways with native grasses, tree/shrub plantings, and other measures to prevent erosion along streambanks and wetlands. A biodiversity plan is currently under development and will be implemented in 2023. The company conducts annual trainings with the operations employees on environmental response plans. These include exercises and drills.

### Spills and Spill Prevention

Howard Energy has local spill response plans specific to each operating area and operations type. The Facility response plans (FRP) set forth how to effectively respond to a spill at a liquids terminal. The company's FRPs are reviewed and audited by several federal agencies, including the Environmental Protection Agency (EPA), the U.S. Coast Guard, the Pipeline and Hazardous Materials Safety Administration (PHMSA), and the General Land Office.

**Howard Energy's Spill Intensity Is In-Line With Midstream Benchmark and Continues to Decrease**



Emergency response plans (ERP) set forth how to effectively respond to any leak or hazard on a pipeline facility. The ERPs are developed for each of the company’s pipeline operating areas. These plans are inspected by PHMSA and the Railroad Commission of Texas. Emergency action plans (EAP) guide operations on how to respond to emergencies quickly, safely, and effectively at our gas processing facilities. The EAPs are reviewed and audited by OSHA. The Spill Prevention, Control and Countermeasure plans (SPCC) are used as a reference for oil storage information and testing records, as well as a tool to communicate practices on preventing and responding to discharges with employees. These plans serve as a guide to facility inspections, and as a resource during emergency response. All of these plans described are reviewed each year by the company and all local employees are trained on the plans each year. Operators and emergency response personnel can utilize a phone app Incident Management Guide for response procedures. The app includes all the required provisions of the stated plans and more specific scenarios that are not required by regulations.

## Climate Change and Greenhouse Gas Emissions

Howard Energy recognizes that climate change will pose several risks and opportunities to our business. Our executive management team evaluates climate-related risks and opportunities in connection with corporate strategic planning, including discussions related to reducing emissions and energy transition and transformation. Managing greenhouse gas (GHG) emissions and meeting the expectations of our stakeholders regarding responsible climate stewardship is vital to our long-term success. Howard Energy has identified GHG emissions as an important area of focus, and we look for opportunities to reduce emissions through strategic programs and initiatives.

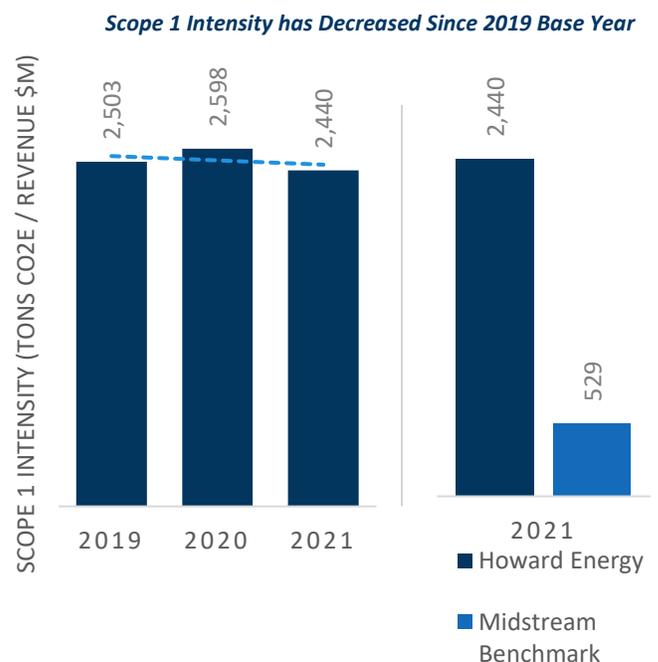
Howard Energy’s air emissions and permitting is regulated by the EPA, Texas Commission on Environmental Quality (TCEQ), Pennsylvania Department of Environmental Protection (PADEP), and the Oklahoma Department of Environmental Quality (OKDEQ). The company has over 20 air permits and facilities are routinely audited by the federal and state agency listed above.

Tracking our emissions provides a baseline for evaluating performance and identifying reduction opportunities. We maintain an emissions inventory in accordance with the EPA Mandatory Greenhouse Gas Reporting Rule and aggregate our Scope 1 and 2 emissions annually. The chart above shows our Scope 1 intensity performance over the past three years. See our Performance Data Table for more information. The Company has a pollution prevention plan as of 2021. The Company also builds its facilities to reduce emissions. This includes dual drive compressors, smokeless flares, thermal oxidizers, and vapor recovery units. The company also has an LDAR program to find leaks at its facilities. This includes the voluntary use of a FLIR camera at facilities to identify emissions not visible to the eye.

## Supply Chain Management

Howard Energy’s Engineering & Cost Controls Department manages the supply chain process for Howard Energy. Companies providing goods and services to Howard Energy execute Howard Energy’s master services agreement or master construction agreements that define the relationship, regulatory, safety and environmental compliance. The terms of certain procurements of goods are set forth in purchase orders.

Howard Energy’s Engineering & Cost Controls employs a strategy that is supported by our contracts that requires compliance with all local, state, and federal regulations related to safety and environmental compliance. Howard Energy competitively bids material supply chain requests that exceed \$100,000 in value to ensure competitive pricing is part of the supply chain management strategy.



The company uses IS Network when hiring contractors to track their compliance with company policies. ISN® has a variety of tools including contractor prequalification and ongoing monitoring, EH&S management, ESG performance review, safety performance and culture perception surveys, cybersecurity reviews, insurance and risk management, employee-level training, and analytics and reporting. Howard Energy’s contractors are vetted to see if they have had any environmental issues. The MSA contracts between Howard Energy and vendors set standards for environmental compliance, disposal of any waste materials, project clean up, safety, and regulatory compliance.

## Waste

The company is developing a waste management system to strategically evaluate methods to reduce operational waste and evaluate recycling options. Howard Energy has an initiative to create a recycling program, including a market commodity analysis. Howard Energy also has an initiative to minimize waste activities to include inventory control, recycling evaluation, and maintenance and operations procedures. The company has pollution prevention plans and waste minimization.

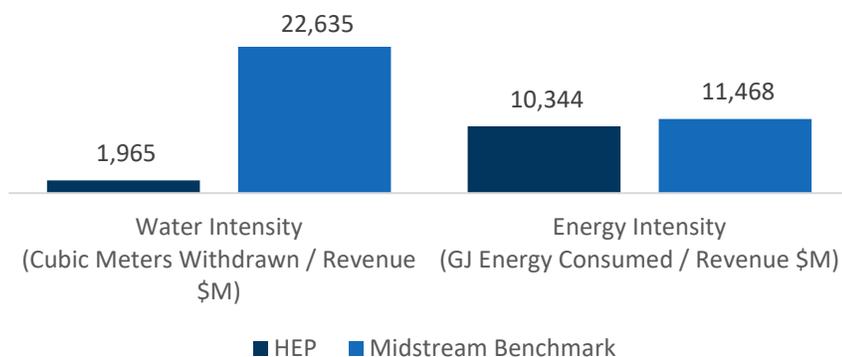
## Water

Howard Energy is committed to conserving water resources and is implementing new internal water policies and procedures for measurement and monitoring water consumptions and reporting. The company’s natural gas processing plants and compressor stations are designed to produce little to no water in their routine operations.

## Energy Use

Howard Energy is focused on managing energy use and improving efficiency. Howard Energy is able to calculate its energy use from electricity and natural gas. In the chart below, we highlight trends in energy use over the last 3 years. See our Performance Data Table for more information. Howard Energy has grown and added major processing facilities over the past couple of years. With these processing facilities, energy use has increased. While these facilities are energy intensive, they are essential for the refineries in this major industrial area to reduce emissions and recycle hydrocarbons. A significant amount of the hydrocarbons processed at these facilities would be flared if they were not sent to and processed at our facilities.

**Water & Energy Intensity are a Strategic Focus**



# Social

## Social Highlights



0

Howard Energy experienced zero recordable incidents and zero lost time incidents in both 2020 and 2021



40%

On average, we pay 40% higher than the median household income in the counties where we operate



35%

We provide benefits valued at more than 35% of an employee's salary



9

Howard Energy has been awarded San Antonio Top Workplaces 9 years running from 2013 – 2021.



50

More than 50 of our senior leadership have received training through the Stagen Leadership Academy to include in-house training facilitated by employees who have graduated a rigorous 1-year Stagen Leadership program.



9%

Voluntary Employee turnover has remained around 9% since 2019, which is in-line with the Midstream benchmark\*.

## Health & Safety

Protecting the environment and the health and safety of our employees and our neighbors isn't just a corporate responsibility; it's also good business. At Howard Energy we adhere to comprehensive environmental, health and safety standards along with incorporating EH&S considerations into the company's operation decisions. Our EH&S objectives are communicated throughout the whole organizations and all employees are trained so they understand their individual responsibilities and policy objectives.

***Howard Energy has experienced zero recordable or lost-time incidents in the last two years.***

We work hard to reduce our environmental footprint and plan every project in a manner that is mindful of people and wildlife as well as the land, water and air. We operate responsibly and are committed to leaving a project site better than we found it. Periodic assessment of operations are conducted, evaluated and measured to ensure full compliance. We believe that this sort of good stewardship isn't just an expense or an effort to comply with governmental regulations, but rather an investment with a solid financial return.

Howard Energy has four types of EH&S training: safety, job specific, emergency, and site specific. 30 hours of safety training is done per employee per year. Job specific training modules must be done every 3 years. Emergency training must be done once a year.

Asset specific training is done on 1, 2, or 3 year intervals. Howard Energy operates multiple OSHA Process Safety Management (PSM) facilities. The 14 elements used in PSM are applied to all facilities across the company.

Each facility requires our contractors to perform site specific orientation prior to engaging in maintenance or similar activities. All contractors are vetted to ensure any job specific training or specialty training is complete and relevant to the work being conducted.

Howard Energy employees and contractors received over 9,000 hours of EH&S training in 2020.

Howard Energy promotes a safe work culture throughout its assets by actively participating in pre-job safety meetings, job safety analysis, and through the auditing of contractors working onsite. Howard Energy ensures chemical safety is maintained by complying with all regulations regarding the handling and storage of hazardous substances and maintaining proper Safety Data Sheets (SDS) for all chemicals onsite. Contractors and operations personnel receive safety training to ensure each person understands the hazards present onsite. Periodic audits are performed to ensure prescribed training is being conducted

## Human Capital Management

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HEP recognizes that our employees are the heart and soul of our company; our most valuable assets. We're proud of our ability to attract and retain top talent. Every year we poll our employees with the Energage Top Workplaces Survey to see what we are doing right and where to improve. Some of the words our people have used to describe us include balanced, positive, meaningful, motivated, dedicated, growing, and friendly. We use this important feedback to help empower our employees to be imaginative; develop meaningful relationships; create solutions; find a balance to grow personally and professionally; and make a difference at work and beyond. The industry average for Energage employee engagement is 68%. Howard Energy had 91.5% of its employees engage in the 2021 survey. In addition to the culture badges shown in the accompanying graphic awarded by Energage, Howard Energy has been recognized as one of San Antonio's Top Workplaces 9 years running from 2013 – 2021.

### Energage Culture Badges



### Howard Energy is a 2021 Top Workplace



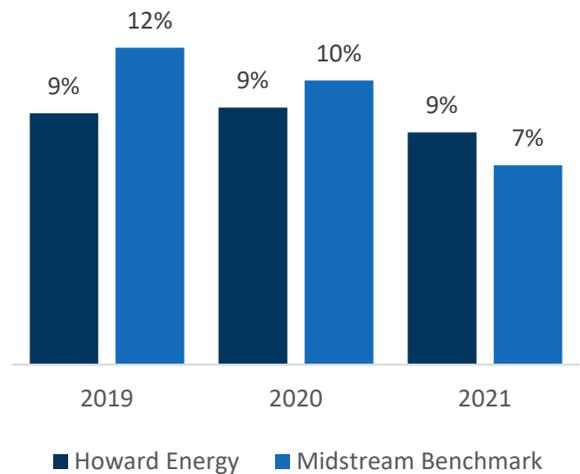
Maintaining and enhancing our culture is one of many ways we focus on continual improvement. Some company perks include catered lunches on Mondays, a comfortable dress code, and holiday and teambuilding events throughout the year. We track turnover and resignation statistics with the aim to improve each year. We also participate in industry-specific compensation surveys annually to stay abreast of compensation trends.

To attract and retain top talent, Howard Energy provides an extensive benefits package to its employees, including medical, dental and vision plans, company-paid basic life insurance, and short-term and long-term disability income benefits. Howard Energy offers a matching 401(K) program as well as generous vacation and sick time off. We also offer our employees volunteer hours so that they can give back to the local community.

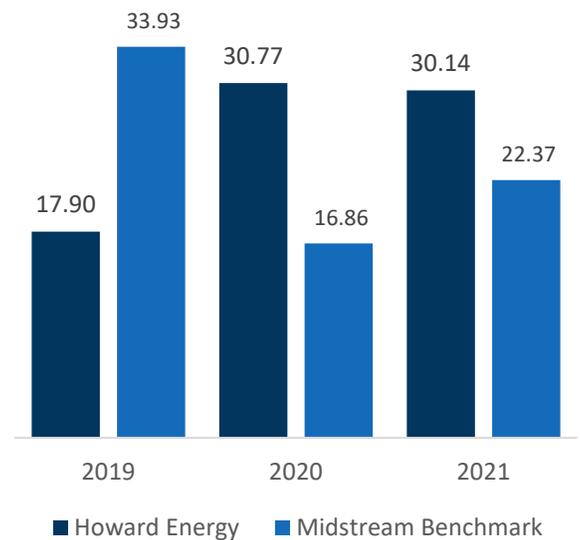
Howard Energy has worked hard to increase and enrich our current parental leave and fertility planning assistance. Howard Energy recently implemented an enhanced parental leave plan that allows both birthing and non-birthing partners to have four weeks of time off at 100% pay following the birth or adoption of a child. These four weeks allow our employees time to bond and adjust to life with a child. When used in conjunction with sick leave and short-term disability, this allows for up to twelve weeks of paid time off for the birthing parent. For those having trouble starting a family, Howard Energy has partnered with Carrot Fertility, an inclusive family-forming company that supports our employees in all paths to parenthood. Carrot Fertility ensures all employees get the care and help they need and is consistently recognized for being BIPOC and LGBTQ+ friendly. In addition to Carrot Fertility, Howard Energy has added Fertility coverage to our Blue Cross Blue Shield health benefits plans to ensure all employees get the help they need if and when they choose to start a family.

Howard Energy provides skills training for the career development of its employees. This training is offered to all company employees and runs the gamut from basic on-the-job training, to attainment of industry certifications. Howard Energy also provides multiple levels of leadership training, from basic supervisory skills for our new supervisors, to practical organizational leadership skills for our managers. With the rollout of our new Learning Management System in 2022, every employee has access to thousands of hours of professionally produced training on hundreds of topics. In 2020, employees received an average of 30.14 hours of skills training. This represents a 68% increase from the 2019 base year. Additionally, Howard Energy conducts an average of 37% more training for its employees than other public midstream companies.

**Voluntary Turnover Remains Stable and In-line with Midstream Benchmark**



**Howard Energy is a Leader in Employee Training**



## Community Involvement

Howard Energy employees are heavily involved in their communities. Howard Energy operates an internal volunteer committee led by the Director of Communications, that works together to engage with the community on various events and opportunities. The company partners with organizations such as Habitat for Humanity, San Antonio Pipeliners Association, San Antonio Hemisfair Conservancy, the Elf Loise Christmas Project, Texas Foster Care Organization, and St. Jude Children’s Hospital.

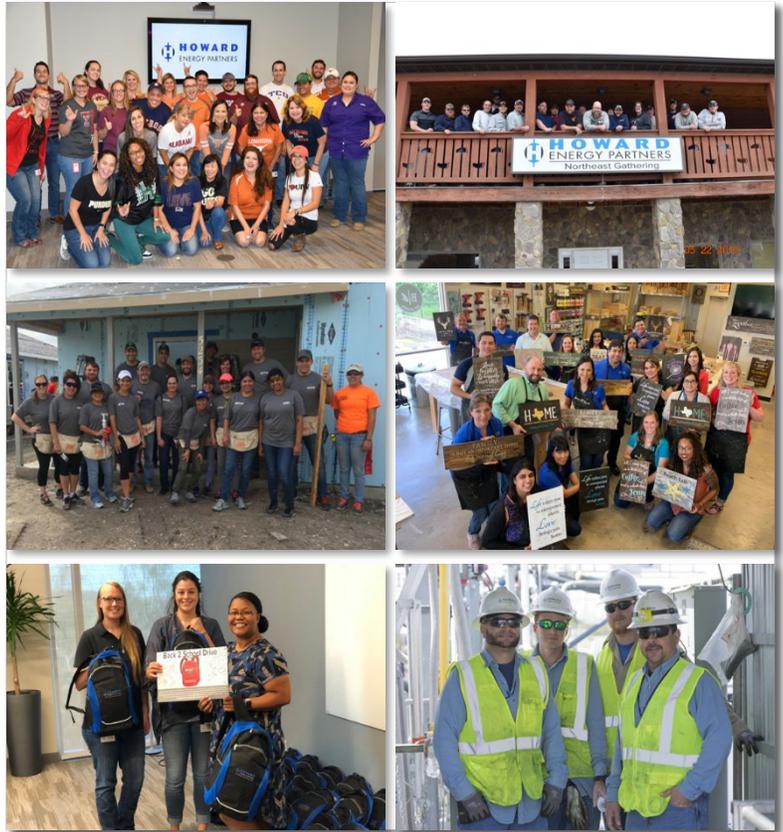
Through Habitat for Humanity, Howard Energy employees participated in building homes or repair homes for families in need. The company partners with San Antonio Pipeliners Association to conduct fundraising for STEM Scholarships. Howard Energy participated in a back to school supply drive, and provided complete student supplies for Title 1 low income schools. Around Christmas, the company makes donations to the Texas Foster Care Organization for children’s Christmas gifts. In 2021, the engineering team volunteered to clean the beaches in Corpus Christi.

Finally, Howard Energy participated in the SkyHigh Fundraiser. The company sponsored and executed the event to raise funds for St. Jude’s research into childhood cancer. To encourage these types of activities, Howard Energy has allocated 16 hours for each employee to volunteer their time toward a local non-profit organization. This provides for a total of over 5,500 volunteer hours each year.

Howard Energy and its employees donate generously to a wide variety of local charities. In 2021, Howard Energy and its employees gave \$329,803 in monetary donations alone. In 2021, the company encouraged more than 5,000 work hours to be dedicated to volunteer hours in the local communities.

The company engages with local communities around emergency planning through local emergency planning committees and reverse alerts systems. A reverse alert system sends a message to residents in areas affected and include information about natural disasters, industrial accidents, roadway closures, evacuations, and other incidents that threaten public safety.

The company especially values the relationship it has with the landowners where our pipelines are situated. Howard Energy’s philosophy is that when we enter a right of way agreement with a landowner to construct and operate a pipeline, we are entering into a long-term business partnership with them. We take seriously our responsibility to each landowner to respect their property, which means not only operating our pipelines with the highest safety standard, but also to keep our facilities neat, well maintained, and as if it were on our personal property. In addition to the landowners where we have rights-of-way, we also meet with surrounding landowners and communities around the pipeline and send out safety information bulletins at year once a year. These meetings are



*Employee Donations through  
United Way*

**\$169,856.00**

*Employee Donations and  
Corporate Matching*

**\$49,316.00**

*Independent Corporate Donations*

**\$110,631.00**

used to keep the local public aware of pipelines and facilities in the area. Also, it gives the company a chance to meet and talk to the local community and gives the local community a chance to ask any questions of the company.

Howard Energy has an engineering internship program that is focused on universities local to our operating areas. Students are selected from schools in the University of Texas, Texas Tech, and Texas A&M school systems to learn the various engineering aspects of the hydrocarbon transportation and processing industry. The program gives local students the experience needed to help them start their career once they graduate. Many of those interns have become full time project managers at Howard Energy.

## Diversity

Howard Energy provides equal employment opportunities to all employees and applicants without regard to race, color, religion, sex, national origin, disability, age, genetics, marital status, veteran status, sexual orientation, gender identity, or any other characteristic protected by applicable federal, state or local laws. Howard Energy is dedicated to this policy with respect to recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities and general treatment during employment.

In addition to its commitments to diversity, Howard Energy participates in external organizations aimed at fostering a culture of diversity and inclusion within the broader energy industry. Howard Energy provides financial support and has multiple employees who are active members of various educational and networking events focused on increasing diversity and inclusion. One such group, Women in Energy, has a mission to connect and empower women working in the energy industry. Howard Energy supports this mission by providing career resources, creating networking and mentoring opportunities, promoting educational courses, and developing strategies to minimize obstacles women may face in the industry. Howard Energy has employees that sit on the board of the South Texas division of Women in Energy and are responsible for sponsoring female college students who aspire to careers in energy and helping to fuel the industry's need for top talent in the future.

In its commitment to support the energy industry and the need for future top talent, the organization grants three \$1,500 one-time awards to exemplary female students who aspire to and have displayed an interest in energy market careers.

**51%**

*Of Howard Energy employees are women or minorities*

**43%**

*Of corporate office employees are women*

# Governance

## Risk Management

### ESG Oversight

Strong corporate governance reinforces our company values and primary business strategy. Our focus on financial strength and flexibility, safe and environmentally responsible operations, and ethics and compliance promote long-term business sustainability. Strong and improving ESG performance is a priority of Howard Energy's board of directors and executive management. Howard Energy currently incorporates EHS metrics, such as Total Recordable Incident Rate, Preventable Vehicle Accidents and Notice of Violations, into our incentive compensation plans across all levels of the company. Howard Energy's board of directors and management are committed to maintaining strong corporate governance practices that allocate rights and responsibilities among the board, management and investors in a manner that benefits the long-term interest of stakeholders. Corporate governance practices are designed not only to satisfy regulatory and stock exchange requirements but also to provide effective oversight and management of our company. Oversight of ESG issues sits with the executive management team. There is a group that is now working to better address ESG issues, leveraging the knowledge base of Pickering Energy Partners' ESG Consulting practice.

### Business Continuity Planning

Should risk become reality, Howard Energy develops business continuity and disaster recovery plans to allow for continued communication and continuity of significant operations. The company has multiple emergency and preparedness plans in place to resume business with minimum downtime and to ensure that businesses can remain operational through any event or disaster. These plans include; site specific emergency response plans, spill response plans, and other disaster response plans such as a Regional Hurricane Plan.

### COVID-19

Our preparedness and continuity plans were enacted during our effective response to COVID-19, in which we focused on keeping our employees and their families safe while still fulfilling our commitment to our customers and stakeholders. We quickly provided necessary hardware (including laptops, monitors, printers, etc.) and software solutions (e.g. virtual private networks and video conferencing platforms) to keep our employees connected, engaged and safe. In addition, we instituted new safety procedures and protocols to minimize contact and limit exposure, including spacing out workstations, adding plexiglass dividers, deploying decontamination equipment, contract tracing, as well as providing personal protective equipment and COVID-19 testing. Through these efforts we maintained our 24/7 operations with no COVID related downtime, while maintaining our commitment to safety.

### Whistleblower Policy

We comply with all applicable whistleblower regulations. Our employee handbook contains written policies preventing retaliation for reporting violations and harassment. Howard Energy also has a code of business conduct and ethics that directs employees to report any violations of laws, rules, regulations, or company policies. The code of business conduct and ethics prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. Any reprisal or retaliation against an employee because the employee, in good faith, sought help or filed a report will be subject to disciplinary action, including potential termination of employment. If an issue is suspected, employees are encouraged to report through our anonymous whistleblower hotline or anonymous form on our website.

### ESG-Linked Compensation

Achievement of certain ESG goals are one of the three factors weighed by the board in determining the annual employee bonus pool. Company performance towards its EH&S goals typically determine about 10% of the bonus pool funding. Further, managers evaluate individual performance on EH&S objectives when determining individual bonus payments from the pool. Employees who have failed to meet certain EH&S metrics may have their bonus reduced.

## Cybersecurity, Confidentiality & Data Privacy

Here at Howard Energy, we believe that Information Technology is a key business enabler. However, we know this business function could easily be turned around and become a serious threat to the company and all our stakeholders. The rise in cybersecurity threats is a particularly urgent development and Howard Energy is taking several steps to keep our IT systems and business operations safe and secure. We utilize a combination of hardware, software, and procedures to protect our physical and technological assets as well as to enhance business continuity and improve our disaster recovery preparedness. Securing company assets is critical to Howard Energy's broader business strategy.

During the course of work, our employees become aware of confidential information about Howard Energy' business as well as confidential information belonging to the Company's clients and vendors. The security of that information is of critical importance to Howard Energy and we have implemented numerous precautions to keep that information safe.

Howard Energy is currently undergoing a cybersecurity assessment conducted by an external third party, TrustMarq. TrustMarq is guiding our creation of a security roadmap that will be implemented. Additionally, we recently contracted to have a penetration test conducted on of all network systems in the first quarter of 2022. Findings from the penetration test will be used to develop remediation steps to close security gaps. Howard Energy has also implemented Multi-Factor Authorization for all Howard Energy accounts to secure them and prevent unauthorized access.

Howard Energy is currently instituting a hybrid security framework consisting of ISO 27001, NIST, and COBIT frameworks. The three frameworks will provide Howard Energy will the necessary security controls for all Howard Energy systems and applications. The goal is to be compliant with the three frameworks by the end of 2022. In 2023, Howard Energy will move towards an independent certification of the three security frameworks.

### Recent Cybersecurity Highlights



**Implementation of Multi-Factor Application (MFA)**



**CIO/CSO as a Service with TrustMarq**



**Implementing ISO 270001, NIST, and COBIT Frameworks**



**Third Party Penetration Testing by Denim Group**



**Fully redundant, geographically separate SCADA facility stood up to keep the system running in the event of a cyberattack or disabling of primary facility**



**Implementing Security as a Service – Arctic Wolf**

## Ethics

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Howard Energy's commitment to ethical behavior is captured in our core value of "Do the Next Right Thing". Whether in relations with customers, vendors, employees or regulators, ethical behavior is an ongoing requirement when interacting with all of our stakeholders. Ethical behavior is a continuing requirement and not just a one-time event or action or something to be done when someone is watching. The character of our company is reflected in all of our actions and decisions, both the big and the small, the public and private. We are committed to operating in compliance with all applicable laws and regulations. Several ethics and compliance policies and a General Standards of Conduct govern our business practices and set expectations for integrity and lawful behaviors. The General Standards of Conduct is distributed in the employee handbook. All employees are required to read and sign off that they understand the policy. In addition, when the handbook has significant changes, employees are required to acknowledge via our HRIS system.

## Human Rights

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Howard Energy prohibits intentional and unintentional harassment of any individual by another person on the basis of any protected class including, but not limited to, race, color, religion, sex, national origin, disability, age, genetics, marital status, veteran status, sexual orientation or age. We expect all our employees to treat each other and our customers with dignity and respect. That means we do not use words that could be construed as harassing, degrading or offensive.

# Partnerships

## Women's Energy Network – South Texas

 Howard Energy currently partners with Women's Energy Network – South Texas. Howard Energy provides financial support and has multiple employees who are active members who participate in various educational and networking events throughout the year. Women in Energy's mission is to connect and empower women working in the energy industry. We do this by providing career resources, creating networking and mentoring opportunities, promoting educational courses, and developing strategies to minimize obstacles women may face in the industry.

## Texas Pipeline Association (TPA)

 Texas Pipeline Association (TPA), the largest state trade association in the country representing solely the interests of the intrastate pipeline network, is the primary resource for information regarding the Texas pipeline industry. Howard Energy was involved in eminent domain reform, improve the safety of bulk storage terminal facilities, working groups during winter storm Uri.

## Permian Basin Association of Pipeliners (PBAP)

 The mission of the Permian Basin Association of Pipeliners (PBAP) is to advance pipeline engineering, operations, safety practices and education for the mutual benefit of the members and the industry. Howard Energy is a member of this association.

## GPA Midstream

 The GPA Midstream Association has been engaged in shaping the midstream sector of the U.S. energy industry since 1921: setting and adopting standards for natural gas liquids; developing simple and reproducible test methods to define the industry's raw materials and products; managing a cooperative research program that is used worldwide; providing a voice for our industry on Capitol Hill; being the go-to resource for a multitude of technical reports and publications; and so much more. Employees from Howard Energy serve on the environmental, natural resources, regulatory, pipeline safety, and safety committees.

## International Liquid Terminals Association (ILTA)

 Founded in 1974, the International Liquid Terminals Association (ILTA) is an advocate and key resource for the liquid terminal industry. With headquarters in the Washington, DC, area, ILTA advocates on behalf of the liquid terminal industry in Congress and at the federal agencies. ILTA also maintains close working relationships with other organizations that interact with the tank storage industry. Howard Energy participates in conferences, workgroups, and safety benchmarking. We also receive information on regulatory updates and best industry practices.

## San Antonio Pipeline Association (SAPA)

 Howard Energy was founding member and driving force behind growing the organization that provides scholarships for college students and charitable donations for our community. The San Antonio Pipeliners Association (SAPA) provides an opportunity for "peer-to-peer" networking for individuals involved in the pipeline and midstream industries. Monthly meetings are held at the Hilton Garden Inn at The Rim in San Antonio and include a time of networking, a buffet meal, and a speaker. With fund-raising events throughout the year, SAPA is able to provide scholarships to deserving second, third, fourth or fifth-year college students pursuing a bachelor or graduate degree in math, science, or engineering.

## Permian Basin Petroleum Association (PBPA)

 PBPA was formed in 1961 by a group of oilmen concerned about the federal government's growing regulatory role, the Permian Basin Petroleum Association has grown from fewer than twenty members to more than 1,000 member companies. The mission is to advocate for safe and responsible oil and gas development and to provide education on safety, legislation, regulation, and support services for the industry.

# Appendix

## Data Tables

	Unit	SASB Code	GRI Code	IPECA	2019	2020	2021
<b>Operations</b>							
Gross Operated Oil Throughput	MBOE				52,237	63,027	55,663
Gross Operated Natural Gas Throughput	MBOE				92,573	104,966	123,361
<b>Environmental Impact</b>							
Percentage of land owned, leased, and/or operated within areas of protected conservation status or endangered species habitat	Percentage	EM-MD-160a.2			0%	0%	0%
Amount of Spills > 1 bbl	Number	EM-MD-160a.4		ENV-7	7	0	1
Volume of Spills > 1 bbl	Barrels (bbls)	EM-MD-160a.4		ENV-7	812.2	0	35
<b>Emissions</b>							
Scope 1 Emissions	Metric Tons CO2e	EM-MD-110a.1	305-1	CCE-4	904,882	875,737	1,065,166
Scope 1 from Flared Hydrocarbons	Metric Tons CO2e	EM-EP-110a.2			9,149	9,149	18,213
Scope 1 From Combustion	Metric Tons CO2e	EM-EP-110a.2			494,218	472,929	618,677
Scope 1 From Process Emissions	Metric Tons CO2e	EM-EP-110a.2			391,313	383,723	408,711
Scope 1 From Other Vented Emissions	Metric Tons CO2e	EM-EP-110a.2			2,854	2,679	2,735
Scope 1 From Fugitive Emissions	Metric Tons CO2e	EM-EP-110a.2			3,559	3,561	4,320
Methane Emissions	Metric Tons CO2e	EM-MD-110a.1		CCE-5	1,818	1,811	2,612
Methane % of Scope 1 Emissions	Percentage				0	0	0
Scope 2 Emissions	Metric Tons CO2e		305-2	CCE-4	N/A	N/A	253,152
NOX	Metric Tons	EM-MD-120a.1	305-7		729	710	823
SOX	Metric Tons	EM-MD-120a.1	305-7		5	6	12
VOCs	Metric Tons	EM-MD-120a.1	305-7		403	369	429
<b>Energy Use</b>							
Total Energy Use	Gigajoules	IF-WU-13a.1	302-1	CCE-6	1,764,998	2,417,693	4,515,179
% Renewable	Percentage	IF-WU-13a.1			N/A	N/A	N/A
<b>Waste</b>							
Total Waste Generated	Metric Tons		306-3		1,404	1,039	3,844
<b>Water</b>							
Water Withdrawn	Cubic Meters	EM-EP-140a.1	303-3		0	0	5,394,523
Freshwater Withdrawn	Cubic Meters	EM-EP-140a.1		ENV-1	N/A	N/A	N/A
Water Discharged	Cubic Meters	EM-EP-140a.2	303-4	ENV-2	0	0	150,198
Water Recycled	Cubic Meters	EM-EP-140a.2		ENV-2	N/A	N/A	N/A
<b>Donations</b>							

Corporate Giving	Dollars		413-1	SOC-13	191,592	118,279	113,872
Corporate Matching	Dollars		413-1	SOC-13	N/A	6,413	4,786
Available Volunteer Hours	Hours				N/A	N/A	5,296

#### Diversity

Female Total Employees	Percentage	FN-IB-330a.1	405-1	SOC-5	N/A	N/A	21%
Female Corporate Employees	Percentage	FN-IB-330a.1	405-1	SOC-5	N/A	N/A	43%
Female Field Employees	Percentage	FN-IB-330a.1	405-1	SOC-5	N/A	N/A	7%
Minority Total Employees	Percentage	FN-IB-330a.1	405-1	SOC-5	N/A	N/A	30%
Minority Corporate Employees	Percentage	FN-IB-330a.1	405-1	SOC-5	N/A	N/A	16%
Minority Field Employees	Percentage	FN-IB-330a.1	405-1	SOC-5	N/A	N/A	38%

#### Health and Safety

TRIR	Rate	EM-EP-320a.1	403-9	SHS-3	0.27	0	0
LTIR	Rate	EM-EP-320a.1	403-9	SHS-3	0	0	0
NMFR	Rate	EM-EP-320a.1	403-9	SHS-3	N/A	N/A	N/A
Fatalities	Number	EM-MM-320a.1	403-9	SHS-3	0	0	0

#### Human Capital Management

Average Training Per Employee	Hours		404-1	SOC-7	17.90	30.77	30.14
Turnover of Workforce	Percentage	SV-PS-330a.2	401-1		19.06%	23.87%	15.50%
Voluntary Turnover of Workforce	Percentage	SV-PS-330a.2	401-1		9.20%	9.40%	8.50%

## Referenced Documents

[Howard Energy Pipeline Safety Document](#)

[Howard Energy Benefits At A Glance](#)

## Forward Looking Statement

Some of the statements contained and incorporated in this report are forward-looking statements as defined under federal securities laws. We make these forward-looking statements in reliance on the safe harbor protections provided under federal securities legislation and other applicable laws. These statements are not guarantees of future results, occurrences or performance. The following discussion is intended to identify important factors that could cause future outcomes to differ materially from those set forth in the forward-looking statements.

Any statements other than statements of historical fact should be considered forward-looking statements. Forward-looking statements include the information concerning possible or assumed future results of our operations and other statements contained or incorporated herein identified by words such as “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “goal”, “target”, “guidance”, “intend”, “may”, “might”, “outlook”, “plan”, “potential”, “project”, “scheduled”, “should”, “will”, “would”, and other words and terms of similar meaning.

One should not place undue reliance on forward-looking statements. Known and unknown risks, uncertainties and other factors, many of which are difficult to predict and beyond our control, may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with the forward-looking statements, factors that could cause our actual results to differ materially from those contemplated in any forwardlooking statement include, among others, the following:

- The transition to a lower carbon economy, including the timing and extent of the transition, as well as the expected role of different energy sources in such a transition;
- The pace of technological advancements and industry innovation, including those focused on reducing GHG emissions and advancing other climate-related initiatives, and our ability to take advantage of those innovations and developments;
- The effectiveness of our risk management strategies, including mitigating climate-related risks;
- Our ability to identify and execute climate-related opportunities, and the economic viability of those opportunities, including those relating to renewable energy sources, renewable natural gas, carbon capture, use, and storage, solar, wind and alternative low carbon fuel sources such as hydrogen;
- The ability of our existing assets and expertise to support the growth of, and transition to, various renewable and alternative energy opportunities, including through the positioning and optimization of our assets;
- Our ability to efficiently reduce the carbon intensity of our operations;
- The effects of changes in governmental policies and regulatory actions, including changes with respect to tax policy, emissions credits, carbon offsets and carbon pricing;
- The necessity to direct our focus on maintaining and enhancing our existing assets;
- The impacts of acquisitions or dispositions