

2021 Sustainability Report



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Forward-Looking Statements

Statements made in this Report that relate to future events or our expectations, projections, estimates, intentions, goals, targets, and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates. We assume no obligation to update this information.

Because actual results may differ materially from those expressed or implied by these forward-looking statements, we caution readers not to place undue reliance on these statements. Our business, financial condition, cash flows, and operating results are influenced by many factors, which are often beyond our control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. These factors include the risks and uncertainties described in the "Risk Factors," "Quantitative and Qualitative Disclosures about Market Risk," and "Management's Discussion and Analysis" sections of our Forms 10-K and 10-Q filed with the SEC.

Introduction

At PNM Resources, our vision, purpose and strategy are built upon a commitment to sustainability and Environmental, Social and Governance principles. Our investment plans are focused on transitioning our generation portfolio at PNM and investing in the critical transmission and distribution infrastructure needed to support reliable growth and deliver a clean energy future.

Some highlights in 2021 include:

- Doubling our wind capacity at PNM, bringing our generation resource portfolio capacity to more than 30% renewables and 40% carbon-free. PNM also joined the Western Energy Imbalance Market on April 1, 2021, maximizing renewables and low-cost, flexible resources across the real-time wholesale energy trading market and contributing to fewer renewable curtailments across the western United States.
- Investing in the acquisition of the 150-mile Western Spirit transmission line and facilities to provide transmission service to approximately 800 MW of new wind in New Mexico
- Employing a workforce of 52% minorities
- Continuing to provide financial assistance to customers impacted by the COVID-19 pandemic, providing over \$7 million in cumulative assistance to over 15,000 families in need through collaboration and partnerships with internal and external stakeholders
- Contributing \$6.2 million to non-profits and community partners, including nearly \$1.6 million in PNM Resources Foundation grants distributed to New Mexico and Texas non-profits, and customer payment assistance for over 4,100 families through the PNM Good Neighbor Fund

PNM Resources was named to Newsweek’s list of America’s Most Responsible Companies for the second consecutive year.





As part of our commitment to Environmental, Social and Governance reporting and transparency, we have published this sustainability report along with furnishing data on our dedicated webpage www.pnmresources.com/ESG-commitment. These disclosures expand on and replace our prior year disclosures, which remain available in the reporting section of the ESG Commitment website.

We serve electricity to over 800,000 homes and businesses in New Mexico and Texas through our regulated utilities, PNM and TNMP. PNM has a generation portfolio producing 3,122 megawatts as of December 31, 2021. PNM Resources has committed to achieving carbon-free power generation by 2040 – aligning to surpass the goals of the Paris Climate Agreement.

PNM continues the significant transition in generation resources necessary to achieve 100% emissions-free energy by 2040.

Environment

PNM Resources is committed to the responsible use and protection of our natural resources. We have a long-standing record of environmental stewardship. The focus of our efforts to provide environmentally responsible power centers on four key areas:

-  continuing to develop strategies to provide reliable and affordable power;
-  transforming the PNM generation portfolio to 100% emissions-free resources by 2040;
-  preparing PNM's system to meet New Mexico's increasing renewable energy resource standards as cost-effectively as possible; and
-  increasing energy efficiency participation.

Emissions-Free by 2040

At PNM Resources, we are taking action to protect our environment and conserve our natural resources while building a clean, secure and sustainable energy future. We have a long history of environmental stewardship, balanced with cost conscientiousness. We advance the use of cleaner sources of energy and promote responsible conservation measures, including energy efficiency. We have made, and continue to make, significant investments to reduce the environmental impact of delivering power while minimizing the cost to our customers.



Plan to exit all coal generation no later than 2031



Eliminate emissions from natural gas generation and actively pursue the development of carbon-free replacement power alternatives



Attain our goal for our electricity generation to be 100% emissions-free by 2040, five years ahead of the New Mexico state carbon-free mandate.

The Energy Transition Act (ETA), passed in the 2019 New Mexico legislative session, introduces a mandate of 100% carbon-free energy by 2045 and sets an aggressive new Renewable Portfolio Standard (RPS), requiring investor-owned utilities to achieve 40% renewable energy by 2025, 50% by 2030, and 80% by 2040, while also protecting customers and workers in the transition to clean energy. Going forward, our resource planning will achieve dramatic reductions in carbon emissions and lead us to a clean portfolio of electricity generation. To further support the transition to carbon-free electric generation in New Mexico, the ETA also allows for securitization financing through energy transition bonds for the undepreciated investment, reclamation and decommissioning costs for qualifying coal-fired generation facilities, along with amounts for severance, job training and economic development for impacted regions.

The nameplate capacity for each resource in PNM’s generation portfolio as of December 31, 2021 is shown in the following table, including resources that are owned, leased or contracted under purchase power agreements. In addition, PNM purchases power from a customer-owned distributed solar generation program that had an installed capacity of 201.2 MW at December 31, 2021.

Type	Name	Location	Generation Capacity (MW)
Coal	SJGS	Waterflow, New Mexico	562
Coal	Four Corners	Fruitland, New Mexico	200
Gas	Reeves Station	Albuquerque, New Mexico	146
Gas	Afton (combined cycle)	La Mesa, New Mexico	235
Gas	Lordsburg	Lordsburg, New Mexico	85
Gas	Luna (combined cycle)	Deming, New Mexico	190
Gas/Oil	Rio Bravo	Albuquerque, New Mexico	149
Gas	Valencia Energy Facility	Belen, New Mexico	155
Gas	La Luz	Belen, New Mexico	41
Nuclear	PVNGS	Wintersburg, Arizona	402
Solar	PNM-Owned Solar	Twenty-four sites in New Mexico	158
Solar	NMRD-Owned Solar	Los Lunas, New Mexico	130
Wind	Casa Mesa	De Baca and Quay Counties, New Mexico	50
Wind	NM Wind Energy Center	House, New Mexico	200
Wind	Red Mesa Wind Energy Center	Seboyeta, New Mexico	102
Wind	La Joya Wind I	Encino, New Mexico	166
Wind	La Joya Wind II	Encino, New Mexico	140
Geothermal	Lightning Dock Geothermal	Lordsburg, New Mexico	11
			3,122

As of December 31, 2021

PNM has significantly reduced emissions since 2005 through investments in pollution control technologies, the increased use of renewable energy and natural gas, along with the development of extensive energy efficiency programs for customers.

As a result of these actions, PNM’s total 2021 system-wide carbon dioxide emissions (which constitute the majority of greenhouse gas emissions) were approximately 32% lower than 2005 levels. PNM's coal capacity at the end of 2021 was 762 MW, a 22% reduction from 2005 levels.

PNM will exit San Juan Generating Stations (SJGS) in 2022, which will reduce our coal capacity by 80% from 2005 levels to only 200 MW. PNM also plans to exit the Four Corners Power Plant (Four Corners) and will be coal-free no later than 2031 and is exploring options to exit this plant sooner (subject to regulatory approval).

PNM joined the Western Energy Imbalance Market (EIM) in April of 2021. The regional coordination is designed to balance fluctuations in supply and demand by automatically finding lower-cost resources to meet real-time power needs. It maximizes the potential for renewable resources across the market by making excess renewable energy available to utilities at low cost, rather than curtailing the resource to balance the grid. The total avoided renewable curtailment volumes reported by the Western EIM for the first nine months of PNM’s participation was calculated at over 170 thousand megawatt hours. Under the assumption that these avoided curtailments displace production from other resources, the estimated reduction in carbon dioxide is over 72 thousand metric tons. PNM’s participation also provided \$12.5 million in customer savings over the first nine months.

On June 30, 2022, the U.S. Supreme Court in a 6 to 3 decision rejected the Environmental Protection Agency (EPA)’s authority to regulate carbon dioxide by requiring fossil fuel generators to change their energy portfolios (shifting generation from coal to gas, and from fossil fuels to renewable energy). The ruling reverses, and remands to a federal appeals court, a January 2021 opinion that vacated the Trump Administration’s 2019 Affordable Clean Energy Rule that established the Best System of Emission Reduction for existing coal-fired power plants as heat rate efficiency improvements based on a range of “candidate technologies” that can be applied within the fence line at the source. New regulations to curb carbon dioxide emissions are not anticipated to have a significant impact on PNM given the shutdown of SJGS and the company’s plans to exit all coal by 2031. EPA has indicated that it plans to issue a new GHG regulation for existing EGUs by March 2023, but that schedule may change given the U.S. Supreme Court decision.

The rule is not expected to have a significant impact on PNM with the company's plans to shutdown SJGS in 2022.

Since the Navajo Nation does not have primacy over its air quality program, EPA would be the regulatory authority responsible for implementing the Affordable Clean Energy rule at Four Corners. It is unclear how and when EPA will implement these regulations and how much time the plant will have to comply. PNM plans to exit the Four Corners Power Plant no later than 2031.

Regardless of future regulation or legislation to reduce greenhouse gas emissions from existing fossil-fueled power plants, PNM has made major strides in reducing our emissions, and expects to continue with our plans to transform our generation portfolio to be emissions-free by 2040.

Resource Planning

As PNM transitions to a carbon-free energy future, our resource planning process will continue to be essential in determining the appropriate resource mix and deployment timing that will ensure safe, reliable, and affordable service for our customers. PNM conducts planning activities through several avenues, including preparation of an Integrated Resource Plan (IRP) once every three years. The IRP identifies the most cost-effective supply resource portfolio(s) that will reliably meet customer demand requirements over a 20-year period; the planning process involves rigorous analysis and evaluation of many load and resource scenarios and sensitivities. In addition, the IRP process incorporates public advisory meetings at several stages throughout the planning cycle, providing the stakeholder community various opportunities to put forth input and make contributions. Once a resource plan has been established, PNM lays out a resource planning roadmap and defines the actions necessary to achieve the plan's objectives over the next four years. PNM is currently developing the 2023 IRP.

The 2020 IRP was the first resource plan completed following PNM's announcement of our commitment to a carbon emissions-free portfolio by 2040. The 2020 IRP was filed January 29, 2021 and approved on July 13, 2022 (the 2020 IRP is available at www.pnm.com/irp). It identifies the most cost-effective resource portfolios over each of the next 20 years that meet system reliability requirements and the carbon intensity conditions and renewable portfolio standards targets set out in the Energy Transition Act (ETA). This plan to reliably meet customer needs while facilitating a transition to a carbon-free resource portfolio consists of three main elements:

- Transition away from aging baseload infrastructure;
 - Retire our share of SJGS by September 2022
 - Return leased shares of the Palo Verde Nuclear Generating Station (Palo Verde) by 2023 and 2024
 - Exit our share of Four Corners at the end of 2024, subject to New Mexico Public Regulation Commission (NMPRC) approvals.
- Invest in renewables, energy efficiency and storage to decarbonize our energy supply;
- Optimally retain and invest in firm capacity to maintain reliability.

The results of the 2020 IRP and subsequent resource modeling show that replacing coal-fired generation with renewable energy and flexible resources will reduce costs for customers in the long run. As such, PNM is taking action to eliminate coal from our supply portfolio and replace this capacity with less carbon-intense resources. In July 2020, the New Mexico Public Regulation Commission (NMPRC) approved a portfolio of replacement resources for SJGS that includes 650 MW of solar, 300 MW of battery storage, and 39 MW demand response

and energy efficiency measures. Additionally, PNM is seeking approval to exit our share of Four Corners. In January 2021, PNM filed with the NMPRC for abandonment and securitization of our ownership share of the plant, an application that did not receive approval. PNM has appealed this decision to the NM Supreme Court, as the benefits from this abandonment align with the intent of the ETA and would allow PNM to eliminate coal-fired generation from our portfolio, accelerating the transition to a carbon-free supply mix and bringing customer cost savings and community benefits. Renewables and storage will also be brought online to replace the Palo Verde leases; in February 2022 the NMPRC approved replacement resources consisting of 450 MW of solar and 290 MW of battery storage.

PNM has experienced the same disruptions as the rest of the industry in deliverability and cost pressures associated with the approved renewable replacement resources and will continue to seek solutions to maintain system reliability until replacement resources are ultimately placed in service.

Palo Verde Nuclear Generating Station

PNM is proud to be a participant in Palo Verde, the largest nuclear power plant in the U.S., located near Phoenix, Arizona. Palo Verde is licensed and routinely inspected by the Nuclear Regulatory Commission (NRC). It is a three-unit, 3,810 MW generating station operated by Arizona Public Service Company that provides energy to more than one million homes in the Southwest. PNM owns 288 MW and leases an additional 114 MW of the total capacity, which provided about 30% of the energy needs of PNM's customers in 2020 and 2021.

Palo Verde emits zero carbon dioxide in the generation process. The plant generates spent nuclear fuel that is stored in an onsite fuel pool until it can be transferred to dry storage casks inside an NRC licensed, on-site storage facility. This facility may be expanded to include all required casks for nuclear fuel used through Palo Verde's NRC Operating License duration of 2047.

Palo Verde is the only nuclear energy facility in the world that uses treated sewage effluent for cooling water. The sewage effluent water is produced from the metropolitan Phoenix area. The wastewater is treated again at the plant's water reclamation facility and then stored in an 80-acre reservoir for use in the plant's nine cooling towers. More than 20 billion gallons of water are recycled each year.

In 2020, PNM announced that it will return the 114 MW of leased capacity under both our Palo Verde Unit 1 and Unit 2 leases upon expiration of the leases in January 2023 (104 MW) and 2024 (10 MW), which will allow PNM to continue our energy transition, provide cost savings for PNM customers, enhance portfolio flexibility and maintain adequacy and reliability of the PNM system. In April 2021, PNM filed for regulatory approval of the abandonment and replacement of the PVNGS leased capacity. The NMPRC determined abandonment had been previously approved and also approved PNM's replacement portfolio (450 MW of solar resources and 290 MW of battery storage resources) in February 2022. Separate from the leased capacity, PNM remains an owner of 288 MW of PVNGS and expects to utilize those resources to serve customers and achieve a carbon-free portfolio by 2040.

Transmission and Distribution Investments

To aid in New Mexico's accelerated transition to clean energy, PNM is investing in critical transmission and distribution infrastructure. These investments are planned with the objectives of delivering clean energy, enhancing customer satisfaction and improving grid resilience. As the technology and price curves advance for renewables, battery storage and other emerging emissions-free resources, utility infrastructure must be able to

integrate and deliver these resources to customers. Investments in grid resilience provide the foundation for a system that can respond and adapt to integrating evolving technology in order to provide long-term customer value.

In 2021, PNM completed the acquisition of the Western Spirit project, an approximately 150-mile, 345-kV transmission line and related facilities. The line provides transmission service to approximately 800 MW of new wind generation located in eastern New Mexico.

Climate Change Report

Real Change | Real Results

We recognize that climate change is a vital issue that demands bold action. We hear the voices of our stakeholders, from investors and businesses to our customers, employees and community partners who are conscientious about reducing their own impact on the environment and are concerned about the greenhouse gas emissions associated with generating electricity. We agree, and at PNM Resources we are taking action to protect our environment and conserve our natural resources while building a clean, secure and sustainable energy future.

PNM Resources has a long history of environmental stewardship, balanced with cost conscientiousness. We advance the use of cleaner sources of energy as well as promote responsible conservation measures, including energy efficiency. We have made, and continue to make, significant investments to reduce the environmental impact of delivering power while minimizing the cost to our customers.

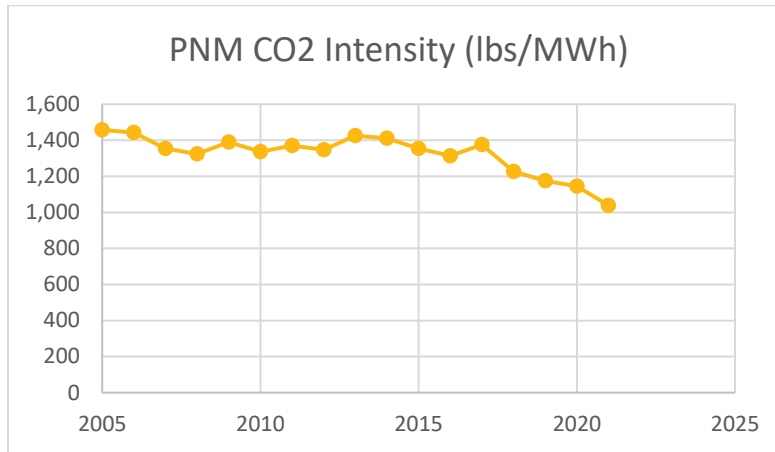
PNM, our New Mexico utility, previously announced its plan to completely exit coal generation by 2031 and has already significantly reduced overall power plant emissions:

- With the shutdown of Units 2 and 3 at SJGS in December 2017, we reduced CO₂ emissions at this plant by 55% below 2005 levels (CO₂ comprises the vast majority of PNM greenhouse gas emissions) and
- As of December 31, 2021, 44% of PNM generating capacity is carbon and emissions-free, including resources owned, leased and under purchase power agreements.

PNM’s annual CO₂ emissions and emissions intensity are provided in the table below.

Annual CO ₂ Emissions and Intensity from PNM System-Wide Fossil Generation, Renewables and Purchase Power Agreements				
Year	CO ₂ (short tons)	CO ₂ (pounds)	MWh	CO ₂ Intensity (lbs/MWh)
2021	6,036,761	12,073,522,523	11,620,684	1,039
2020	5,976,210	11,952,419,525	10,439,390	1,145
2019	6,197,205	12,394,410,000	10,547,068	1,175
2018	6,143,439	12,286,878,000	10,022,620	1,226
2017	7,603,535	15,207,069,382	11,050,978	1,376
2016	7,315,165	14,630,330,000	11,140,218	1,313
2015	7,302,402	14,604,804,000	10,778,092	1,355
2014	7,614,056	15,228,112,000	10,787,964	1,412
2013	7,850,959	15,701,918,000	11,022,501	1,425
2012	7,382,951	14,765,902,000	10,955,229	1,348
2011	7,771,178	15,542,356,000	11,343,400	1,370
2010	7,166,923	14,333,846,600	10,724,058	1,337
2009	8,270,026	16,540,052,000	11,898,336	1,390
2008	7,487,077	14,974,154,000	11,309,164	1,324
2007	7,130,912	14,261,824,000	10,524,371	1,355
2006	7,879,995	15,759,990,000	10,917,410	1,444
2005	7,695,241	15,390,482,000	10,560,990	1,457

The chart below provides the PNM system-wide carbon emissions intensity trend between 2005 and 2021. PNM’s carbon intensity has decreased by almost 30% over the last 16 years.



GHG Accounting Program

PNM has developed and implemented a company-wide GHG accounting program based upon industry-recognized and accepted protocols. This expanded program is part of the company’s efforts to improve its overall sustainability program and track carbon reductions as we move towards our 100% emissions-free goal by 2040. The program considers GHG emissions in three categories across the company:

1. direct emissions from combustion sources ("Scope 1"),
2. indirect emissions such as those associated with energy consumption in company-owned buildings ("Scope 2"), and
3. other indirect emissions that occur in the value chain (both upstream and downstream emissions), including GHGs from purchased goods and services and employee commuting ("Scope 3").

In 2021, PNM completed the data gathering and plan for Scope 1 and 2 emissions and in 2022 will focus on identifying, calculating and reporting on Scope 3 emissions.

The Energy Transition Act, passed in the 2019 New Mexico legislative session, demonstrates the state’s commitment to further integration of cleaner energy sources. The new law sets more aggressive renewable standards and introduces a mandate of 100% carbon-free energy by 2045, while also protecting customers and workers in the transition to clean energy. Energy Transition Bonds are permitted to securitize the unrecovered costs on qualifying coal-fired generation facilities, reducing the cost to customers to retire these facilities earlier and allowing the utility to reinvest in cleaner energy resources.

The table below presents the net book value for each of PNM's owned generation facilities at December 31, 2021:

Type	Name	Total MW	MW Owned by PNM	First In-Service Date	PNM's Net Book Value as of December 31, 2021 (in millions)	Notes
Coal	SJGS	847	562	1976	\$ 370	1,2
Coal	Four Corners	1,540	200	1969	\$ 241	3
Gas	Reeves Station	154	154	1959	\$ 43	
Gas	Afton (combined cycle)	230	230	2007	\$ 151	
Gas	Lordsburg	80	80	2002	\$ 33	
Gas	Luna (combined cycle)	567	189	2006	\$ 48	
Gas/Oil	Rio Bravo	138	138	2000	\$ 37	
Gas	La Luz	40	40	2015	\$ 47	
Nuclear	PVNGS	3,941	402	1986	\$ 441	2
Solar	Solar Facilities (at multiple sites)	157	157	various	\$ 254	

As of December 31, 2021

Notes:

The New Mexico Energy Transition Act allows for the recovery of undepreciated investments, decommissioning and reclamation costs related to the retirement of PNM's coal assets. The Energy Transition Act also contemplates the recovery of undepreciated investments and decommissioning costs for other electric generation facilities (such as PNM's natural gas assets listed above that are in rate base and were granted a certificate of convenience and necessity prior to January 1, 2015) if the NMPRC requires that they be retired and replaced with lower or zero carbon dioxide emitting resources to comply with the increased renewable energy and zero-carbon standards of the Energy Transition Act.

1. In 2020, the NMPRC approved PNM's application for the abandonment of SJGS in 2022 and recovery and financing of the associated undepreciated investments and other costs through Energy Transition Bonds.
2. See note 17 in the [10K](#) for a discussion on SJGS settlement and restructuring matters affecting recovery of SJGS and PVNGS undepreciated investments.
3. PNM has communicated our intent to exit our ownership interest in Four Corners no later than the expiration of participation and coal supply agreements in 2031.

Aided by the Energy Transition Act, PNM will continue down the path of transitioning existing energy resources to carbon-free resources. Going forward, our resource planning will achieve dramatic reductions in carbon emissions and lead us to a clean portfolio of electricity generation:

- By the end of 2022, with the shutdown of Units 1 and 4 at SJGS, PNM expects to see an additional reduction of 22% in GHGs system-wide based upon 2021 emissions
- By 2023, PNM will far exceed the United States' voluntary commitment to the Paris Agreement⁽¹⁾ of a 26% to 28% reduction in carbon emissions below 2005 levels by 2025;
- PNM plans to exit coal generation no later than 2031; and
- PNM has set a goal for our electricity generation to reach 100% emissions-free by 2040, five years ahead of the state carbon-free mandate.

¹ The Paris Agreement's goal is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

In July 2019, PNM took the next step in the transition to carbon-free resources by filing our application to exit SJGS and included different scenarios for the replacement resources necessary to provide New Mexico with affordable, reliable energy as we transition away from coal. The filing also requested securitization financing treatment of the projected undepreciated investment in SJGS and approval of the recommended replacement power resources. Following hearings held in December 2019 and January 2020, the NMPRC approved PNM's abandonment of SJGS and securitization financing on April 1, 2020 and approved a replacement resource portfolio on July 29, 2020 consisting of renewable resources and battery storage capacity.

The roadmap for these important decisions is developed through a comprehensive research and planning process known as the Integrated Resource Plan (IRP).

The IRP covers a 20-year planning period that is updated every three years and filed with the NMPRC. PNM was required to file our 2020 IRP in July 2020. In recognition of the proceedings surrounding the retirement and replacement of SJGS, the filing deadline was extended to early 2021. The IRP, available at www.pnm.com/irp, examines many scenarios with the purpose of defining the optimal portfolio for meeting customer energy demand needs while balancing reliability, customer cost and environmental impact. PNM's 2023 IRP process was kicked off in April of 2022 and PNM anticipates filing the 2023 IRP in July of 2023.

PNM utilized the IRP planning process to evaluate multiple pathways to reach a carbon-free portfolio by 2040. With the passage of the Energy Transition Act, the State of New Mexico has put forth new mandates for investor-owned utilities to be 100% carbon free by 2045. As wind and solar generation costs have significantly decreased, and newer energy storage and other advanced technologies continue to progress, PNM will look to phase out fossil-fueled emissions and complete the transition to 100% carbon-free generation earlier than 2045 – by 2040.

Climate/2 Degree Scenario Planning

PNM has advanced our understanding of climate/2 degree scenario planning by participating in the Electric Power Research Institute's (EPRI) Understanding Climate Scenarios & Goal Setting Activities program. The program is focused on characterizing and analyzing current scientific understanding of the relationship of individual electric utilities' carbon emissions and global temperature goals. Activities include analyzing current scientific understanding, identifying technical issues and insights to assist companies in evaluating various proposals, developing approaches to climate scenario planning, informing decision-making and engaging stakeholders. As PNM expands our sustainability story, EPRI's work has also been informational in gaining a better understanding of how to implement the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations for sustainability reporting. Our commitment to becoming 100% carbon-free by 2040 produces a carbon emissions reduction trajectory that tracks with the ranges of climate scenario pathways consistent with limiting the global average warming to less than 2 degrees Celsius.

Energy Efficiency

Another important and effective focus of our efforts is energy efficiency, which is included in the IRP and embedded in our overall strategy for the future. Reducing energy usage through organic technological evolution and as a result of strong and effective energy efficiency programs at both PNM and TNMP is perhaps the best way to avoid emissions and reduce the need for new generation resources.



Since 2007, PNM energy efficiency programs have saved almost 5.93 billion kilowatt hours of electricity - enough to power approximately 593,893 homes for a year. These programs have kept an estimated 4.2 million metric tons of carbon dioxide out of the air and saved over 1.5 billion gallons of water.

TNMP has been honored by Energy Star six consecutive years for successful energy efficiency programs. In April 2021 TNMP was honored with its fourth consecutive Partner of the Year Sustained Excellence Award for its High-Performance Homes Program.

TNMP energy efficiency programs began in 2002 and have helped save more than 246 million kilowatt hours of electricity – enough to power approximately 33,878 homes’ electricity use for one year. These programs have also provided \$51 million in customer incentives and kept an estimated 174,111 metric tons of CO₂ out of the air.

Working Together to Effect Real Change

Real change is possible. But it is not easy. In order to accomplish meaningful results, we will be working to partner even more closely with our stakeholders. We have many things to accomplish to reach these important goals, including obtaining regulatory approval for each significant element of our plan. By working together, we can achieve real change and exit coal by 2031, reach 100% emissions-free energy by 2040, and implement an energy mix that will benefit our customers and our communities for generations to come.

Environmental Policy & Management

PNM and TNMP are dedicated to protecting our environment and complying with all regulations. We recognize and believe in the importance of protecting human health and preserving the environment. We accomplish this through careful planning, strong policies, robust controls and excellent operations. Read more from our [Environmental Policy](#).

Environmental Management System

PNM and TNMP continue to be leaders in the utility industry for minimizing and mitigating the environmental impacts of utility work by having a strong Environmental Management System (EMS), which is rooted in our Environmental Policy and was developed based upon the international ISO 14001 standard for EMS. Under the plan-do-check-act framework of our corporate EMS, compliance audits are conducted based upon a risk analysis which considers type of facility/activity, complexity, and permitting. These audits are done under the direction of a partnership between Audit and Environmental Services with findings reported to the Board of Directors. Internal audits of power plant-specific environmental management systems occur biennially.

The overall goal of the EMS is to ensure continuous improvement in the Company's environmental performance and foster a Company-wide environmental stewardship ethic. Our EMS tools ensure that all Company employees incorporate environmental stewardship in their daily activities. The foundation of the EMS is the Environmental Screening Process used in all operational areas. Before fieldwork or new projects begin, PNM and

TNMP employees screen their activities to identify potential issues associated with compliance requirements and resource protection. These issues include:

- habitat and threatened and endangered species,
- water and riparian area sensitivities,
- cultural resources, and
- federal, state, tribal and local jurisdictional requirements and permitting

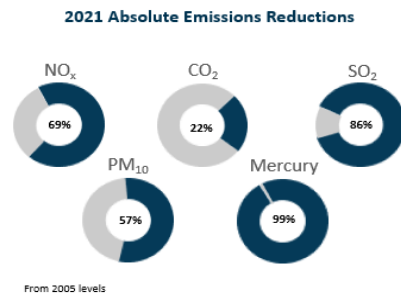
If an issue is identified, work does not proceed until environmental clearance, containing adequate and appropriate precautions, stipulations and permits, has been issued. This system has allowed the Company to establish a significant database of environmental and culturally sensitive areas in New Mexico and Texas, using existing government resources as well as data the Company has specifically collected or funded. The Company also requires regular comprehensive environmental training for operational employees and some contractors at least every two years.

Emissions

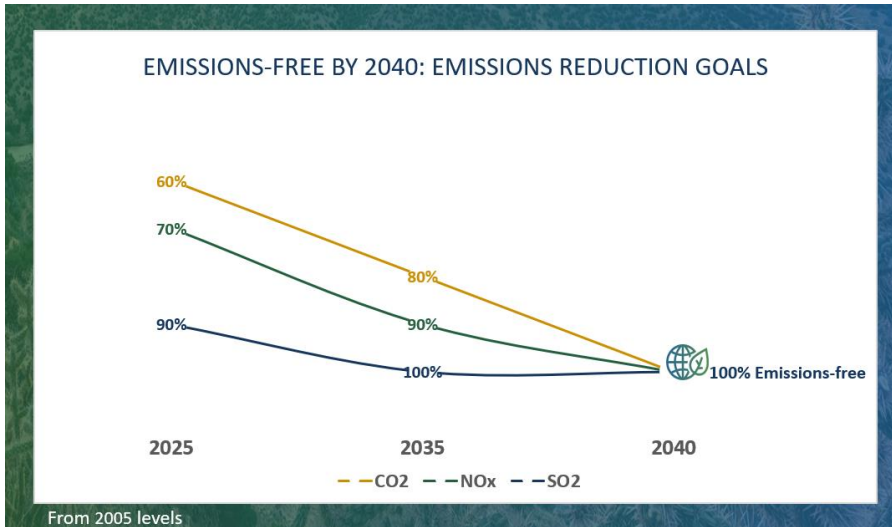
Emissions From From PNM Owned Facilities						
Year	NO _x (tons)	SO ₂ (tons)	PM ¹⁰ (tons)	CO ₂ (short tons)	Mercury (pounds)	MW
2021	4,973	911	179	5,978,782	5.20	5,572,320
2020	4,956	1,079	191	5,932,220	4.43	5,611,721
2019	5,078	1,251	187	6,141,623	3.60	6,021,657
2018	5,458	1,090	149	6,074,753	5.07	5,779,158
2017	9,877	2,608	185	7,551,124	10.17	6,701,266
2016	9,528	1,904	179	7,271,164	10.4	6,809,983
2015	11,006	2,789	184	7,228,044	14.1	6,600,048
2014	11,329	3,346	156	7,567,508	19.0	6,817,453
2013	11,527	4,004	173	7,777,430	41.7	7,162,895
2012	10,966	3,230	266	7,339,559	45.0	7,038,766
2011	11,143	3,324	207	7,677,658	46.9	7,435,123
2010	10,398	3,049	166	7,107,991	48.9	6,911,778
2009	12,121	3,825	288	8,236,862	69.2	8,188,963
2008	13,491	5,804	347	7,472,596	140.8	7,731,031
2007	14,712	8,033	472	7,125,612	251.8	7,282,968
2006	16,580	8,342	505	7,862,305	284.4	7,902,393
2005	15,972	8,829	421	7,690,749	372.1	7,402,766

PNM, our sole regulated utility with generation operations, has significantly reduced emissions over the past 16 years through investment in pollution control technologies, the retirement of fossil generation, the increased use of renewable energy and natural gas, and the development of extensive energy efficiency programs for customers.

The retirement of Units 2 and 3 of SJGS in 2017 resulted in significant emission reductions.



Emissions Reduction Goals



Looking forward, we have set even more ambitious goals to slash our air emissions as we transition away from coal and increase our share of renewable energy generation. Our proposed generation portfolio would achieve dramatic reductions in carbon dioxide emissions, as well as other emissions, with the full exit from SJGS in 2022, all coal by the end of 2031, and our goal to be emissions-free by 2040.

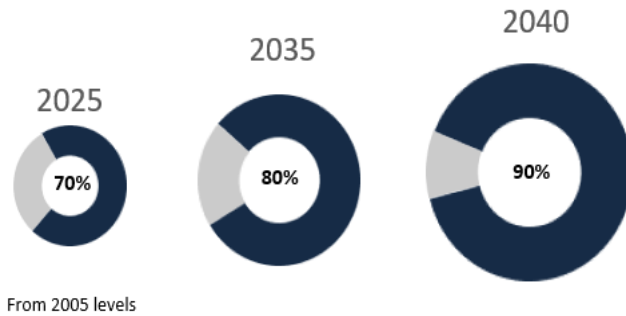
Water

Operating in the arid Southwest in New Mexico and Western Texas, we understand the importance of protecting scarce water resources. That is why our plants have implemented some of the most innovative water conservation technologies in the industry, such as using treated municipal effluent for water-cooling and air-cooling. And it is why we have set a goal to reduce freshwater use 80% by 2035 and 90% by 2040 from 2005 levels as we shift our portfolio to carbon-free sources.

PNM is proud to be a participant in the Palo Verde Nuclear Generating Station, the largest nuclear power plant in the U.S., and the only nuclear energy facility in the world that uses treated sewage effluent for 100% of its cooling water. The sewage effluent water is produced from the metropolitan Phoenix area. The wastewater is treated again at the plant's water reclamation facility and then stored in an 80-acre reservoir for use in the plant's nine cooling towers. More than 20 billion gallons of water are recycled each year.

Water Use

Water Reduction Goals



Over the last decade, our water efficiency investments, along with our robust energy efficiency and renewable energy programs, have reduced our freshwater usage from 4.63 billion gallons in 2005 to 2.77 billion gallons in 2020. That's a reduction of over 41% of total water diverted by our generation plants.

As we move forward on our mission to achieve 100% carbon-free generation by 2040, more significant water savings will be gained. Shutting down SJGS in 2022 and exiting Four Corners by 2031 will allow us to reach our goals for reduced use of freshwater of 80% by 2035 and 90% by 2040.

Water Use				
	Million U.S. Gallons			
	2018	2019	2020	2021
Surface Water Withdrawal	2,544	2,537	2,440	2,462
Surface Water Return Flow	0	0	0	0
Surface Water Consumption	2,544	2,537	2,440	2,462
Ground Water Withdrawal	516	328	331	331
Ground Water Return Flow	0	0	0	0
Total Ground Water Consumption	516	328	331	331
Total Fresh Water Withdrawals	3,060	2,865	2,771	2,793
Total Water Return Flows	0	0	0	0
Total Water Consumption	3,060	2,865	2,771	2,793

Water Scarcity

Our operations are centered within arid regions; therefore, managing the risk of water scarcity is central to how we plan and work. We have well-established procedures to minimize our water use and plans to manage water needs in case of drought. Measures we have implemented include:

- water balance audits to identify inefficiencies or alternative operations to reduce water consumption;
- installation of air-cooling technology at Afton to minimize water use.

Looking forward, as we shift our portfolio away from coal to lower water-intensity natural gas and minimal water-need renewables, we will dramatically reduce our water demand and risk exposure to water scarcity. The only significant water-reliant plant in the future will be the Palo Verde Nuclear Generating Station, which already uses 100% municipal wastewater for cooling, significantly reducing its reliance on freshwater.

Effluent Water

We are committed to responsibly managing effluent water. Key to this commitment is that all our plants are zero discharge with no return flows. All water diverted is consumed on-site, either by evaporation through cooling towers or evaporation ponds. There is zero once-through cooling water.

Coal Combustion Residuals (CCR)

EPA's 2015 Coal Combustion Residual Rule


The U.S. Environmental Protection Agency published its final rule for the Disposal of Coal Combustion Residuals from Electric Utilities (CCR Rule) on April 17, 2015. This final rule was the culmination of extensive study on the effects of coal ash on the environment and public health. The rule establishes that coal combustion residuals (CCR) are a non-hazardous waste and addresses the risks from CCR disposal into surface impoundments and landfills. The CCR Rule is not applicable to SJGS as there are no CCR impoundments or landfills at the site nor is it applicable to mine placement of CCR and thus, San Juan Coal Mine.

Management of CCR at SJGS and San Juan Mine

During coal combustion operations at SJGS to produce electricity, CCR generated at the SJGS is placed into trucks operated by the San Juan Coal Mine, which transport the CCR back to the mine for mine reclamation purposes.

In the reclamation process, the CCR is returned to the former surface mine pits where coal was mined. Use of CCR in this manner reduces mine reclamation costs because not as much new fill material is required. A portion of the CCR in the form of gypsum, is sold for beneficial use to a third party.

The San Juan Coal Mine is required to have a reclamation plan that is approved by Mining and Minerals Division (MMD) of the New Mexico Energy, Minerals and Natural Resources Department. MMD receives oversight for its programs from the Office of Surface Mining Reclamation and Enforcement (OSMRE). Use of the CCR from SJGS is specifically approved for mine reclamation at the San Juan Coal Mine. The mine reclamation plan is intended to reconstruct as many of the pre-mining conditions as practical.



	CCR Generated (tons)	CCR Recycled (tons)	Percentage Recycled
2021	1,607,963	298,330	18.5%
2020	1,689,048	547,981	32.4%
2019	1,770,572	632,514	35.7%
2018	1,501,770	540,599	36.0%
2017	2,425,447	548,348	22.6%

The CCR generated by SJGS is sent to the former surface mine pits for reclamation at San Juan Coal Mine where they are placed in mine pits and covered with at least 10 feet of overburden and topsoil. This process minimizes CCR contact with surface water. In addition, because the San Juan Coal Mine is located in an arid region, the opportunity for the CCR to be impacted from precipitation is lower compared to wetter climates. Monitoring equipment is placed above and below the CCR in the mine pits to detect any movement of water into and out of the CCR. Mine operators are required to post bonds to ensure that mine reclamation is properly performed.

The San Juan Coal Company has developed a groundwater-monitoring plan to monitor changes in quality of the groundwater resource during mining and subsequent reclamation. The monitoring plan includes collection of groundwater information from specified hydrogeologic units. The goal is to collect data on groundwater quality and quantity and to monitor any changes that may occur as a result of mining and reclamation and if changes

are detected, operations can be adjusted to prevent adverse effects. As such, the monitoring includes adaptive management to either adjust operations or adjust the monitoring. Monitoring reports are reviewed by MMD, who has the authority to require additional monitoring wells during mining or reclamation. Further, prior to bond release after reclamation, OSMRE reviews monitoring reports and, if necessary, works with MMD to adjust the groundwater monitoring plan to ensure potential effects are avoided or minimized.

PNM's Groundwater Recovery Systems

In 2008, PNM chose to proactively install a groundwater recovery trench below the plant. This trench is designed to capture any potential release of discharges from SJGS. The trench became operational in January 2010 and regular monitoring data is provided to the NMED. At the end of 2018, PNM completed installation and began operating a second groundwater recovery system as part of a 2012 consent decree among PNM, San Juan Coal Mine and the Sierra Club. This groundwater recovery system, consisting of an impermeable, underground concrete-like slurry wall and groundwater recovery trench, is designed to capture groundwater downstream of SJGS and the San Juan Mine.

Studies of the Impacts of CCR to Groundwater at the San Juan Coal Mine

Multiple studies have been conducted to determine whether the CCR from SJGS have the potential to come in contact with groundwater at the San Juan Mine and affect the underlying groundwater quality. In 2017, the USGS published the Hydrologic Reassessment & Numerical Simulation of Groundwater Flow, San Juan Mine, San Juan County, 2010-13, which indicates that the rate of re-saturation of the mine spoil is expected to be extremely slow due to New Mexico's arid climate and the low rate of recharge to the aquifer. The USGS Report discusses how the low groundwater volume and velocity in the coal seam combined with the high dilution potential of the San Juan River alluvium (soils and sediment deposited by the river) would greatly reduce any potential impacts to the river in the unlikely event that the CCR affected the groundwater quality. In addition, constituents are not released from CCR in high concentrations when CCR are exposed to ground water and these constituents are likely to attenuate through chemical and physical mechanisms to negligible concentrations in ground water well before reaching the arroyos and the San Juan River.

After the USGS published their 2017 report, and based on USGS recommendations, San Juan Coal Mine implemented additional best management practices in the reclamation process. These practices included increasing the amount of spoil material surrounding and between coal ash layers placed in the surface mine pits to further minimize the potential for restoration of the mine pits.

Four Corners Power Plant

PNM owns 13% capacity of Four Corners. Arizona Public Service (APS), the operator of Four Corners, currently disposes of CCR in surface impoundments and dry storage areas. The disposal of CCR at Four Corners is subject to the EPA's CCR rule. Prior to implementation of the rule, Four Corners, located on the Navajo Nation, was already subject to federal regulatory requirements designed to monitor for potential groundwater and surface water impacts of plant operations. On December 19, 2019, EPA released a proposed rule establishing a federal permitting program for the handling of CCR within the boundaries of Native American reservations. Permits for units within the boundaries of Native American lands would be due 18 months after the effective date of the rule. The final rule is expected in October 2022.

Four Corners is in compliance with the CCR rule and is meeting all applicable requirements. For facilities like Four Corners, the rule requires ongoing, phased groundwater monitoring. In addition, the rule specifies that, by October 17, 2017, electric utility companies that own or operate CCR disposal units, such as APS, must have collected sufficient groundwater sampling data to initiate a detection monitoring program. To the extent that certain constituents were identified through this initial detection monitoring at levels above thresholds provided in the CCR rule, the rule required the initiation of an assessment monitoring program by April 15, 2018. In 2018, APS completed the statistical analyses for its CCR disposal units that triggered assessment monitoring. APS determined that some of its CCR disposal units at Four Corners will need to undergo corrective action.

APS completed an assessment of corrective measures needed for its CCR disposal , which identified several units that will need corrective action or will need to cease operations and initiate closure by April 11, 2021. As part of this assessment, Four Corners continues to gather additional groundwater data and perform remedial evaluations.

In January 2021, APS released the Annual Groundwater Monitoring and Corrective Action Report for 2020. This report is the formal regulatory method for releasing annual groundwater monitoring data.

Waste

We are committed to reducing and safely managing waste generated through our operations. We have well-established programs that meet environmental regulatory compliance requirements. We perform regular reporting to the regulatory agencies and audit our waste program.

Team Green

Team Green is an employee-led program, in place since 2007, which has focused on waste diversion at all our facilities. Waste diversion is the practice of diverting waste from landfills, either through recycling or reducing use. Employees at each facility develop programs and practices that make sense for each location. Members meet regularly to share successes, tips and tools with team members at other locations. Team Green has ensured that we have met annual solid waste reduction goals for over a decade. PNM Resources met the 2021 Corporate Waste Goal with over 18 facilities meeting or achieving a waste diversion rate of 65%. Highlights in 2021 include:

- Sponsorship of the New Mexico Recycling Coalition’s annual conference
- Investment recovery through the sale of reusable materials and equipment as part of PNM’s 2022 exit from the SJGS
- PNM participates in the EPA’s Responsible Appliance Disposal Program
- Update and refresh of the Team Green database which now populates a real-time GIS-based dashboard to see diversion activity for any facility

Biodiversity and Land Use

We are committed to protecting wildlife, habitat, ecosystems, and cultural resources everywhere we operate. Biodiversity and natural habitat protection are key considerations for PNM and TNMP. As part of our commitment to enhancing biodiversity, we have procedures to protect, enhance, restore, and mitigate impacts to natural habitat at all of our significant operational locations and throughout our service territory.

Environmental Protection of Lands

We work closely with local communities to identify and protect environmentally and culturally sensitive areas. We have a robust review process whereby we analyze infrastructure developments and maintenance projects to understand the risk of disturbance to sensitive habitats and archeological sites, as well as community concerns. We undertake comprehensive environmental reviews and stakeholder engagement to identify potential biodiversity and community impacts, and seek input from residents, businesses, landowners, Native American communities, government and other stakeholders to address and mitigate concerns.

When a project has the potential to affect the rights or resources of a Native American community, we follow established regulatory and company guidelines to engage tribal communities with respect. We are committed to continue working collaboratively with the Native American communities to avoid or minimize our impacts and foster lasting beneficial relationships.

Environmental conservation and education programs are also supported through PNM and PNM Resources Foundation grants and on the ground Community Crew volunteer projects. The PNM Resources Foundation awarded grants to Tree New Mexico for replanting trees within the Rio Grande Bosque, the New Mexico Avian Protection (NMAP) Working Group, Hawks Aloft, and the Nature Conservancy. Recent TNMP grants included funds to purchase STEM kits for Lewisville middle-school students and funds for friends of LLELA (Lewisville) to purchase equipment and supplies to be used in upgrading hiking trails and the natural environment.

Avian Protection

Both PNM and TNMP developed Avian Protection Plans (APP) in accordance with the guidelines established by the Avian Powerline Interaction Committee which is comprised of over 70 utilities, Edison Electric Institute, U.S. Fish and Wildlife Service, Electric Power Research Institute, National Rural Electrical Cooperative Association, and Rural Utilities Service. Each APP continues to be updated and includes commitments to both reactive and proactive avian protection efforts.

Since 2014, the Company has spent over \$9 million to make distribution poles avian-safe. The cost to bird guard a structure is dependent upon the location, the necessity to plan an outage to bird guard, the aerial equipment located on the pole, and the pole configuration.

To encourage safe nesting for raptors and other large birds, and to improve and maintain reliability, PNM has completed a large project installing hundreds of perch diverters along a 212-mile main transmission line that has experienced bird-related outages. PNM engaged a local avian conservation, research and education organization to help determine the species nesting and the location of the nests on the structures. This data assisted in identifying the cause of interruptions that were occurring along the line. Findings showed that when the birds perch on certain parts of the transmission structures, their excrement can “stream” and bridge the clearance

between the power lines, causing faults on the line. Installing perch diverters will discourage the birds from sitting on certain locations on the structure while encouraging them to locate to a safer location. The diverters were installed on over 400 structures by line crews who are flown to each structure in a helicopter, and the project was done while the line remained energized to minimize outages.

San Juan River Basin Recovery Implementation Program

PNM is an active participant in the San Juan River Basin Recovery Implementation Program. This innovative endeavor was developed through cooperation among federal agencies, the States of New Mexico and Colorado, Native American nations and tribes, water users and conservation interests with the intent to assist in the recovery of the endangered Colorado Pikeminnow and Razorback Sucker in the San Juan River. As part of the program, SJGS partially funded and maintains a fish passage adjacent to its river diversion to allow these native fish access to critical habitat.

Embedding Sustainability

Electric Vehicle Fleet

PNM Resources recognizes that electric vehicles provide an opportunity to reduce the environmental impact of transportation. As we transform PNM's generation resources to a cleaner energy portfolio, customers can feel good about charging their vehicles on the PNM system. Both PNM and TNMP consider the potential impact of greater electric vehicle adoption in planning for grid reliability and resiliency.

PNM Resources is leading by example on electric vehicles with 47 electrified vehicles, including hybrids ranging from passenger cars to heavy duty trucks in our fleet, and 67 charging stations at company locations.

PNM Resources has committed to 25% new light-duty procurements to be electric by 2025, and 50% of all new procurements will be electric vehicles by 2030.

PNM announced our partnership in 2021 with the National Electric Highway Coalition, committed to providing EV fast-charging ports across the country's major roadways by the end of 2023.

In December 2021, PNM received regulatory approval for our inaugural Transportation Electrification Program (TEP). The TEP is designed to accelerate the adoption of electricity as a transportation fuel source by providing financial support which can be used to offset the upfront capital investment required to install EV chargers and supporting infrastructure. The TEP provides EV charger rebates and infrastructure incentives for residential and non-residential customers, and our pilot EV charging rates are expected to increase the efficient use of the electric system by shifting a substantial amount of new charging load to off-peak hours. The electrification of transportation and the more efficient use of PNM's electrical system is expected to have substantial environmental and sustainability impacts in the coming years.

Additionally, PNM has designated one-quarter of the TEP budget to benefit low- to moderate-income (LMI) households and those in historically underserved areas of our service territory. These funds will be used to



increase awareness and understanding of the financial and economic benefits of EV ownership, and we will partner with at least one community-based organization to assist with the education, marketing, and outreach components of the TEP for LMI customers. PNM is committed to facilitating a transportation electrification revolution that is available to everyone.

PNM provides support to customers wanting to make the switch to cleaner vehicles. Read more [here](#).

Sustainability Research and Tools

PNM Resources recognizes that expectations regarding commitments to sustainability and the demonstration of sustainable business practices are rising among our stakeholders, including customers, investors, employees, and other industry stakeholders.

To help us advance corporate sustainability strategy and drive through our economic, environmental and social responsibilities, PNM Resources funds various electric utility-centric sustainability research efforts through EPRI, a non-profit organization for public interest energy and environmental research.

As a result of the clean energy transformation and our commitment to become emissions-free by 2040, PNM Resources has continued funding and expanded our participation in EPRI programs. These programs are focused on strategic science, energy and climate policy, understanding climate goal setting and the 2 degree scenario analysis. They also look into key clean energy technology trends, including insights from new research on deep decarbonization pathways. These programs have provided PNM Resources with valuable insights, information and tools to affirm that our 100% carbon-free goal sets us on a course that aligns with the international climate goals and our desire to be a truly sustainable company.

Social

PNM Resources has a long tradition of supporting the communities that it serves in New Mexico and Texas and is committed to fostering positive relationships with stakeholders. At the heart of everything we do are our core values:



Safety for ourselves, our co-workers, our customers and our communities depends on every employee, every day.



Caring about the welfare of others is a company tradition. It fosters a positive workplace, a focus on customers and dedicated community service.



Integrity and honest communication guide our dealings and keep us accountable to our stakeholders and to each other.

Customers

We strive to deliver a superior customer experience. PNM, as a vertically integrated utility, has more opportunities to connect with our end-use customers than TNMP, whose customers are Retail Electric Providers operating in Texas. PNM continues to focus our efforts to enhance the customer experience through customer service improvements, including billing and payment options, strategic customer engagement, and improved communications. These efforts are supported by market research to understand the varying needs of customers, identifying and establishing valued services and programs, and proactively communicating and engaging with customers. PNM supports our customers with bill assistance through a number of different avenues. These include:

- [Good Neighbor Fund](#): PNM customers who are facing a financial emergency can receive a grant to help pay part or all of a past-due PNM bill. This is funded through generous donations from our customers and employees which are matched by PNM. PNM also makes corporate contributions to this fund.
- [LIHEAP](#): Eligibility is determined by several factors, including household income and immigration status. Benefit amount is based on other factors, including income, household size, household members' ages, and disabilities.
- [Moratorium](#): Customers who qualify for low-income help from LIHEAP may also qualify for the New Mexico heating season moratorium. Certain customers' electricity cannot be turned off from November 15, 2021 through March 16, 2022.
- [PNM Payment Arrangements](#): Customers that receive a PNM bill with a disconnect notice and are unable to pay the amount due by the "pay no later than" date, can request a payment extension. Not all accounts are eligible for more time to pay an already past-due amount.
- [Medical Certificate Program](#): PNM provides information on the medical certificate program with bills that are subject to disconnection for nonpayment. The customer must qualify financially through the Human Services Division in order to qualify for this exemption.
- [Energy Efficiency Programs](#): PNM supports several other energy efficiency programs that help customers save money.

TNMP's primary customer focus in the Texas deregulated market concern reliability and supporting deregulated market operations. For end-use customers, that means the lights are on and that transactions with Retail Electric Providers are completed within market protocols. TNMP also focuses on preparing customers for outages when severe weather is forecasted. Most critical is providing effective outage reporting and restoration updates from customer service and automated phone services in conjunction with TNMP's outage-management system.

Customer privacy policies can be found on pnm.com and tnmp.com. Our Customer Experience Advisors are trained to handle the broad range of inquiries that commonly come from our customers. We have Customer Experience Advisors that are fluent in English and Spanish. We handle approximately 2,900 Spanish calls monthly, which represents about 6% of our call volume. Spanish-speaking customers also have the opportunity to conduct electronic transactions via our Spanish Automated Phone System, and we offer helpful information in English and Spanish on pnm.com. Demand in our customer contact center for languages other than English and Spanish is minimal and typically the customer is able to interpret the call through a family member or friend. For customers who are deaf, there is a TDD-TTY service that enables interaction with our customer service team via the telephone.

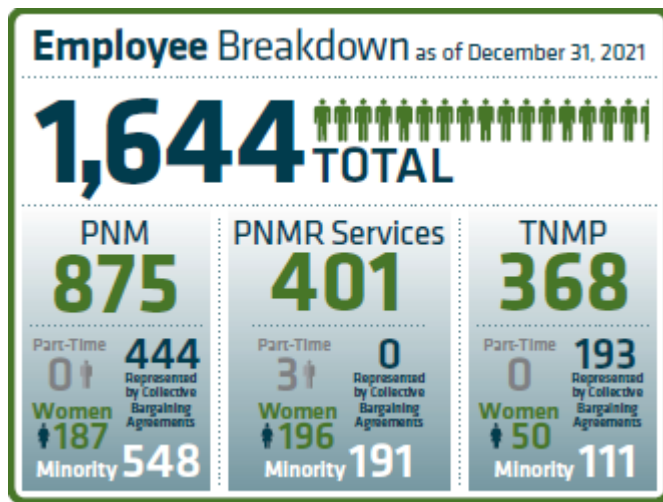
PNM Solar Direct

The PNM Solar Direct program was created to support PNM large customers in achieving their sustainability goals. PNM developed this subscription-based program for a new 50-megawatt solar field in which subscribed local governments, educational entities and businesses could access at lower costs than producing the renewable energy at their facilities. The program's innovative design ensures that no other customers pay for any portion of the plant. PNM Solar Direct is a cost-effective way for those subscribed customers to achieve their sustainability goals, while adding more renewable energy in New Mexico and ensuring that no other customers subsidize the program.

Employees


PNM Resources looks to our more than 1,600 dedicated employees to transform our business model and lead us into an emissions-free generation future by being part of a diverse and inclusive workforce, actively being developed and trained to meet evolving skill set requirements, participating in succession planning, and leveraging our employee wellness programs.


Diversity, Equity and Inclusion



At PNM Resources, we value the diversity of our workforce and actively seek opportunities for incorporating Diversity, Equity and Inclusion (DEI) within our family of companies. We believe a diverse workforce enriches our environment and helps us better meet the needs of our employees, customers and shareholders. PNM Resources employs over 1,600 employees in New Mexico and Texas.

In 2022, to further our commitment to diversity, PNM Resources enacted our Human Rights Policy and created a formal DEI strategy, with these guiding principles:

 Cultivate a productive and engaging workplace culture that encourages collaboration, flexibility, and fairness to enable individuals to contribute to their full potential.

 Develop systems to equip leaders with the ability to manage diversity, be accountable, measure and refine based on data and results, and institutionalize a culture of inclusion.

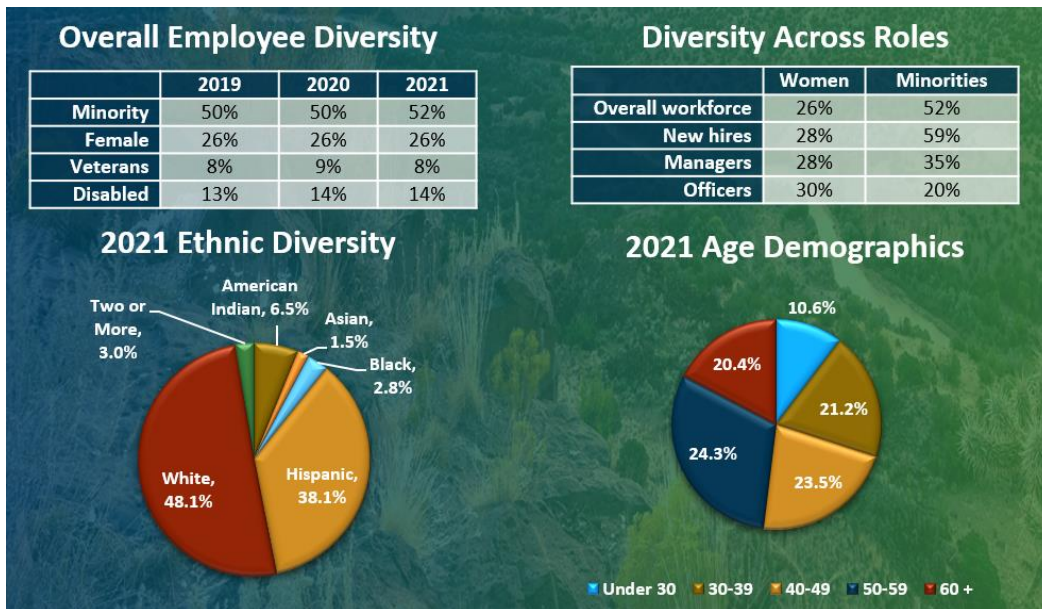


Assess and support diverse internal talent to sustain a high-performance organization that meets our strategic and operational goals and objectives.



Attract and retain diverse talent drawn from all segments of our society to create a sustainable organization contributing to strategic and operational goals and objectives.

To promote DEI, we take a multi-tiered approach. We provide awareness training on topics such as Unconscious Bias, Celebrating Juneteenth and a diversity training from the Transgender Resource Center of New Mexico as part of our development courses. We discuss our DEI goals with our hiring managers and undertake targeted recruitment with organizations including Women in Business and Hire Our Heroes. On an annual basis, we review and update our diversity and affirmative action plans.



We focus on promoting DEI and opportunity across our business and recognize how critical it is for the success of our company and our culture. Our commitment to DEI is reflected in the high proportion of women and minorities represented across all levels of our organization.

The company has numerous employee policies that govern hiring practices, paid and unpaid leave, health and safety, employee performance evaluations, anti-corruption, and anti-trust. Our [Do The Right Thing](#) code of conduct is an overarching guiding document that lays the foundation of what is expected of all employees. We also abide by our [Equal Employment Opportunity policy](#) and we believe this helps cultivate our environment of personal and professional growth.

Pay Equality

PNM is committed to the principle of equal pay for equal work for our employees and we seek to ensure employees are paid equitably for substantially similar work. Pay equity is reviewed three times per year according to factors including role, years of industry-related experience, performance and tenure, among other factors. Where a discrepancy might be identified, there is an internal review process to evaluate and, where appropriate, address it.

Learning and Development

We are committed to developing and retaining our highly skilled workforce. We have recently implemented a training platform which supports custom programs and training journeys designed to provide the necessary technical skills and leadership development to enable the long-term success of our company. All employees are expected to develop an annual performance plan, with goals tied to corporate Key Results and department goals. Our leaders are encouraged to engage in feedback conversations with their employees throughout the year, to foster communication, development and opportunities for growth, including formal performance and development conversations at mid-year and end-of-year.

At PNM Resources, we approach our learning and development offerings through the lens of an employee’s complete life-cycle and have established a Learning Governance Council that is chartered to champion enterprise-wide development programs, training initiatives, and learning alignment.

The Learning Governance Council provides oversight and sets employee development policies and strategies that effect corporate-wide learning initiatives focused on compliance, safety, technical skill development, leadership, and employee career development to ensure an agile workforce.

Leadership Development Program

To develop current and future leaders of our company, we have implemented a robust three-tiered, stackable, holistic approach offering learning and networking opportunities to participants across various business functions and geographic locations. Participants have the option to follow a structured three-year development journey or tailor their learning journey to reflect completed prerequisites and level of prior experience. The Program design evolves with the changing needs of our customers and employees, advancing technologies, and evolving capability requirements.

Supervisor Essentials – Provides early career supervisors and managers with essential managerial skills and knowledge of corporate requirements.

Leadership Fundamentals –Facilitates a shift from managing effectively to leading and equips leaders with the skills to set strategic direction in collaboration with their teams.

4 Essential Roles of Leadership - Develops leaders who inspire trust, create vision, execute strategy, and coach potential.

Leading the Organization –Increases leadership competency, coaching skills and the ability to influence the enterprise through servant leadership excellence.

	Number of Employees*	Hours of Instruction*
Supervisor Essentials	33	25
Leadership Fundamentals	18	31
Leading the Organization	9	32

*As of December 2021

Our current Leadership Development Program grew out of our successful pilot program, Next Level Leadership Academy. The hybrid pilot program provided the supporting data for expanding to a three-tiered model and the recommended offerings that are part of our current program. 33 employees participated in 25 hours of instruction in 2021.

New Hires

PNM Resources provides a welcoming environment for new hires through various programs that are continuously reviewed and updated, including:

- New Hire Welcome – Welcome, engage and introduce new employees into our Company and culture.
- Company Orientation – Further integrate our new employees by providing a holistic company orientation and broader overview of our operations.
- Job based skill training – Our learning platform offers job-based e-badges and certifications, as well as coaches and mentors for skill development programs across multiple domains.

Ongoing Training

PNM Resources provides technical, safety, and compliance training as set forth by Federal and State standards and the Company. We do this not because of a requirement, but because it's the right thing to do.

Employees represented by the International Brotherhood of Electrical Workers (IBEW) are also eligible for formal apprenticeship programs in certain classifications, designed to progress individuals to journey-level proficiency.

With approximately 12.0% of our workforce at risk of retirement as of December 31, 2021, PNM Resources works to ensure institutional knowledge and technical expertise is maintained within the company. To that end, we have developed a program to identify key and critical positions to focus our efforts on transferring and retaining knowledge. We have implemented a robust interview process program for learning and sharing knowledge of those in key and critical positions, particularly as individuals move to retirement.

Recently, we launched a new skill development training platform that provides skill development training as well as the ability to earn badges and certifications. The training platform is web-based and provides mobile device access. Our training platform provides unique training recommendations and allows for custom journey mapping that can be designed for individual and business unit needs.

Collective Bargaining Agreements

As of December 31, 2021, approximately 40% of our workforce population was represented by collective bargaining agreements. The current contract between TNMP and IBEW Local 66 expires August 30, 2024. The current contract between PNM and IBEW Local 611 expires April 30, 2023.

Cultural Transformation and Employee Engagement

A Culture Transformation initiative, Powering Change, commenced in 2019, placing focus on our Cultural Beliefs of: Why Here?, Embrace Collaboration, Transparency Wins, and Own it. The program also aligns and develops leaders to propel current and future initiatives in areas of: Safety, Customer Experience, Accountability, Communication and Wellness. Employee engagement programs are being encapsulated into Powering Change, ensuring alignment and embracing culture, engagement and well-being holistically.

Understanding and maximizing employee engagement is fundamental to the well-being of our workforce and the success of our company. We have found over time that the best way to understand what our employees are thinking and to identify potential areas for improvement is through small focus groups. We regularly convene varying groups of employees to survey their thoughts, opinions and ideas. We use the insights learned to make PNM Resources a better place for our employees, customers and community.

Our New Mexico Operations and Human Resources departments collaborated on a series of employee forums to identify areas of improvement in the work environment, work processes and collaboration. The forums provided insights and ideas that we were able to institute across the company to improve attraction and retention and build stronger work environments and culture within our technical teams. Some of the realized benefits of these efforts have included the adjustment of the wage scale for Engineering and Project Manager positions to be highly competitive and help with recruiting and retention; career pathing and skill development courses are being developed to foster an environment of continuous learning, and departments have been redesigned to help with work optimization.

It is in strengthening our foundation of Culture, with our transformation initiative and alignment of our employee engagement programs, where we will better drive business results, company values and individual aspirations.

Employee Turnover

We regularly monitor employee turnover to identify potential issues and improve performance. Turnover data is reviewed at least twice a year at the executive level for each business unit and department to understand employee turnover and opportunities for making changes. Our voluntary employee turnover for 2021 was approximately 14% across the Company.

Recruiting and Attraction

Our recruitment efforts aim to build on our commitment to diversity by hiring those with diverse perspectives and experience from all walks of life.

We work with local universities and colleges to hire talented people who will grow into our future leaders. We actively recruit with diverse schools including the University of New Mexico, Central New Mexico Community College, New Mexico State University, and New Mexico Tech, amongst others.

We partner with universities to offer internships to those seeking experience in project management, accounting, finance, information technology, and customer experience.

In addition to attending career fairs at our partner schools we also work closely with Workforce Connect Centers to ensure we reach people in any stage of their career.

We advertise our positions to several diversity centric career sites and groups including:

- NMTC – Women in Technology Peer Group
- The Pueblo of Zuni
- NM Department of Vocational Rehabilitation
- EmployDIVERSITY

- Women Veterans of NM
- Hispanic Today
- Black Perspective

Total Rewards Strategy

At PNM Resources, our benefits are competitive, designed to meet the varied wants and needs of our employees and cultivate a work environment that encourages personal and professional growth. The Company-offered insurance plans are available to employee and eligible dependents, including same-sex spouses. Although we typically do not employ a large percentage of part-time employees, many of the benefits that are available to full-time employees are also extended to part time-employees, including receiving at least 100 hours of paid time off per year, and eligibility for tuition reimbursement at 50% of the rate of full-time employees.

Benefits provided include:

- Bonus opportunities for all employees not subject to collective bargaining agreements (including equity grants for key leaders)
- 401k with employee match + supplementary age-based company contribution with a wide array of investment funds, including a Company stock investment fund
- Paid time off
- Health and life insurance
- Tuition reimbursement: \$5,250 annually for degree courses and \$1,100 for non-degree courses, which can be used for professional development and certifications, job specific skills development and non-degree programs
- Parental leave
- Flexible schedules and remote work
- Wellness program
- Discounted gym memberships (and many facilities have onsite gyms)
- Volunteer grants for volunteer time
- 8-hours annual time-off for volunteering
- Service Day for volunteering
- Employee Crisis Fund
- HSA healthcare account contribution

Employee Health and Wellness

The PNM Resources WellPowered program encompasses safety, health and prevention. Employees known as Wellness Transformers serve as champions for wellness culture, advocacy and change.

Wellness Transformers operate as ambassadors to, and a resource for, the PNM Resources WellPowered program. They communicate initiatives to co-workers and provide constructive feedback on local, regional, and company-wide wellness initiatives, which align safety, prevention and health for employees and their families. Employees may participate in activities, health and wellness assessments, and contests to earn points toward incentives, including discounts on health insurance premiums.

Safety

Safety is the first priority of our business and a core value of the Company. It is a key performance indicator of the overall success of PNM Resources.



TRIR- Total Recordable Incident Rate
LTIR – Lost Time Incident Rate

Our CEO has ultimate responsibility for safety, with regular oversight and guidance from our Board of Directors. Our SVP of Operations is in charge of our safety programs with day-to-day management led by the VP of Operations at each business unit. We have overall corporate safety guidelines and an employee manual and specific guidance for different operations and roles, including generation, transmission & distribution, and meter readers. Occupational safety training and assessments are provided to all employees based on position title, regulatory requirements, and company need.

We are guided in our actions by our Safety Management System, which provides clear direction, objectives and targets for managing safety performance and minimizing risks.

Through the Safety Management System, we:

- measure, monitor and evaluate safety and health performance;
- conduct hazard evaluations through the systematic recognition, evaluation and control of occupational hazards using the principles of safety management, engineering, industrial hygiene, occupational medicine, behavioral science, toxicology and fire science;
- implement necessary controls to mitigate and/or reduce the risk associated with identified hazards;
- ensure continued development and implementation of OSHA compliance programs and appropriate training that meet or exceed the minimum requirements of the regulations;
- actively monitor pending/proposed regulations and assess the potential impact of the regulations to our employees, contractors, the public, and our business;
- maintain a contractor and temporary worker safety oversight program (including contractor safety performance) that addresses contractor safety at company-owned facilities and/or company-controlled projects;
- conduct periodic safety management system and compliance audits and identify and address any non-conformance; and
- promptly investigate all injury/incident events to identify the “root cause” and effects of actions taken leading up to the event and implement corrective actions to protect the safety of our employees, customers and our community and avoid future reoccurrences.

Resilience and Reliability

Emergency Preparedness

In 2019, PNM Resources formed a designated enterprise Crisis Management and Resilience (CMR) function to establish and maintain a capability that plans for and effectively manages rapidly evolving crises that pose a strategic, financial, operational, or reputational threat to PNM Resources’ infrastructure, personnel, or customers. This function has evolved over the past three years in qualified staff and scope that has implemented an enterprise wide “All Hazards” approach to response plans.

Additionally, the CMR Function develops business continuity plans (BCP) which will mitigate unexpected business disruptive events and their consequences. The team responds to and maintains operational resilience during any emergency impacting operations. PNM Resources currently develops and maintains business area-specific response and continuity plans, focusing on areas that present unique challenges, such as storms and other severe weather events, wildfires, cyberattacks, and disaster recovery. We perform hazard and business impact analysis (BIA) of our infrastructure based on industry standards, best practices, and a tiered approach focusing on greatest risk to safety, operations, and service reliability.

Reliability

We measure our reliability and benchmark our performance against other utilities using industry-standard reliability metrics. Below are data for our PNM and TNMP operations.

PNM Reliability Indices				TNMP Reliability Indices		
Year	SAIDI	SAIFI	CAIDI	SAIDI	SAIFI	CAIDI
2017	87.44	0.88	99.54	104.70	1.39	100.41
2018	107.33	0.98	109.02	113.50	1.73	65.89
2019	103.39	0.89	116.51	131.70	1.54	85.62
2020	89.15	0.71	125.10	134.45	1.48	88.70
2021	97.50	0.81	119.19	131.23	1.49	92.64

SAIDI: System Average Interruption Duration Index
SAIFI: System Average Interruption Frequency Index
CAIDI: Customer Average Interruption Duration Index

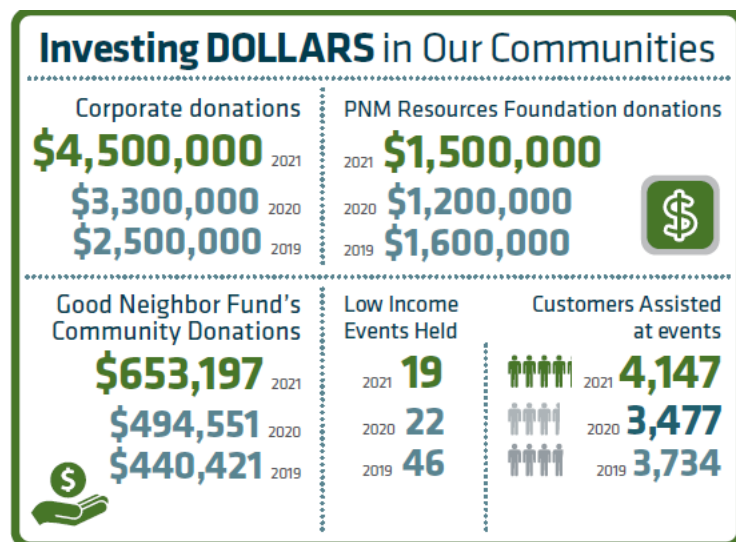
Community



PNM Resources has a long tradition of supporting the communities it serves in New Mexico and Texas. The Company demonstrates our core value of caring through the PNM Resources Foundation, corporate giving, widespread employee volunteerism, and PNM's low-income assistance program.

PNM Resources Foundation

The PNM Resources Foundation is a separate nonprofit, tax-exempt corporation governed by a board of trustees comprised of PNM employees and retirees. In 2021, the PNM Resources Foundation granted more than \$1.6 million to at least 400 New Mexico and Texas nonprofits. The 2021 Vision Grants were four distinct grant cycles implemented throughout the year which focused on reducing homelessness, increasing community safety, increasing access to affordable housing, and reducing carbon emissions within the PNM service area. Ongoing programs also include employee matching and volunteer grants which support nonprofits to which employees volunteer their time or monetary donations. Strategic and collaborative impact grants are awarded to organizations that work provide educational opportunities, support economic development or focus on diversity, equity and inclusion.



In 2021, the PNM Resources Foundation provided Texas nonprofits with TNMP Power Grants totaling \$142,000 to support education.

United Way of Central New Mexico (UWCNM) and the Albuquerque Community Foundation (ACF) have joined to form the DEI United Fund to support, promote and advance Diversity, Equity and Inclusion practices in the four counties each organization serves. Initial funding has been provided by the PNM Resources Foundation, UWCNM and ACF.

The DEI United Fund will identify short- and long-term activities to foster change leading to more equitable, racially just and sustainable solutions for systemic change. The activities conducted by the two organizations will be rooted in community and will include training, educational support, and funding for a range of practices. Training would be offered to community leaders and decision-makers across sectors to strengthen their actions to embed equitable practices in their organizations.

Employee Volunteerism



Employees across the Company demonstrate their involvement and dedication to the communities in which they live and work through their donations of time, money (which the Company may match through our Volunteer Grants or Matching Grants programs) and United Way giving. We also encourage employees to participate in the Company-sponsored Day of Service event that is held annually, providing employees the opportunity to take a workday to connect with their communities. In addition, employees are offered eight hours of volunteer time off to support the organizations of their choice. In 2021, approximately 800 PNM and TNMP employees and retirees contributed more than 8,700 volunteer hours serving their local communities.

Low-Income Customer Assistance

For more than a decade, PNM has focused on outreach efforts to connect low-income customers with nonprofit community service providers offering support and help with such needs as utility bills, food, clothing, medical programs, services for seniors, and weatherization. In 2021, PNM hosted 19 assistance fairs throughout our service territory to help low-income customers. The PNM Good Neighbor Fund provided \$653,197 in utility bill support to 4,147 families in 2021.

American Indian Outreach

PNM Navajo Nation Workforce Training Scholarship Program

PNM continues to work extensively with many American Indian Tribes located in New Mexico to build trusting relationships with New Mexico tribal leaders. In 2020, PNM renewed our commitment to the PNM Navajo Nation Workforce Training Scholarship Program by offering another \$500,000 for the next five years to provide scholarships to New Mexico students, specifically Navajo tribal members in the Four Corners area. PNM President & CEO Pat Vincent-Collawn and Navajo Nation President Jonathan Nez signed a new Memorandum of

Agreement to renew PNM's commitment to the program. PNM has been financing the program since 2013 with \$1.1 million over the last six years.

To date, over 700 Navajo students have received funding through the program, resulting in 337 Navajo graduates earning certificates, associate's and bachelor's degrees at San Juan College in Farmington, NM and Navajo Technical University in Crownpoint, NM. The program is designed to ensure that New Mexico and the Four Corners area have the trained workforce needed for existing and emerging jobs, and that members of the Navajo Nation are well trained for new career opportunities with the closure of Unit 1 in June and anticipated closure of Unit 4 in September 2022.

Light Up Navajo

In the year 2022, it is difficult for some to comprehend that over 14,000 families in the United States live without electricity and water, many of whom are Navajo people that reside on the Navajo Nation. These homes make up 75% of all un-electrified households in the United States. With support of Navajo Nation leaders, the Navajo Tribal Utility Authority (NTUA) partnered with the American Public Power Association (APPA) and member utilities including PNM, to connect homes to the electric grid. The mutual aid project is life changing for families who have waited for electricity their entire lives. This means that they can finally enjoy modern conveniences of lighting, refrigerators, and electronic devices without having to use generators. The Navajo Nation spreads over the largest land area of any indigenous population in the United States. Navajo teachings tie their people to the land making it a challenge to provide electricity to families who live in remote areas of the 28,000 square miles of Navajo land.

Crews from 17 utility companies from across the United States as far away as Maine and Delaware and as close as our neighboring states worked along-side NTUA Crews to light up over 300 homes early this summer. PNM sent a crew of five journeyman linemen for the 2022 Light-Up Navajo III to work on various projects in the Northern Area of the Navajo Nation. The PNM crew constructed 65 primary service pole extensions (4.1 miles), 18 secondary service pole extensions, installed 8 utility transformers, retired & installed service lines, and connected & electrified 10 homes in a two-week period. Since the Light Up Navajo program started in 2019, nearly 7,000 family homes have been connected to the power grid.

PNM Pueblo Endowment

In 2022, PNM created the PNM Pueblo Endowment Fund to seed \$1 million for the creation of the PNM Pueblo Scholarship Fund. The Pueblo Scholarship fund will be on behalf of the Pueblo Nations of New Mexico and support investment in educational and professional capacity development of Pueblo people and their communities. Earlier this year, PNM, the All Pueblo Council of Governors (APCG), and Native Forward Scholars Fund - formerly known American Indian Graduate Center, together announced the creation of the new PNM Pueblo Scholarship Endowment Fund. The fund will support educational and professional development of Pueblo people that will start in the Fall 2022 college semester. PNM has also committed \$50,000 annually to the fund for 4 years, to enable immediate scholarship accessibility.

Of the 15 yearly scholarships, two of the engineering scholarships are named in the memory of the late Everett F. Chavez, a transformative pueblo leader, a dedicated family man, and a valued mentor spending much of his professional life advancing the interests of American Indians. Governor Chavez was a three-time Governor of Kewa (Santo Domingo Pueblo) and served as the Superintendent of the Santa Fe Indian School (SFIS).

“PNM is making a sustainable, legacy-level financial commitment that continues to demonstrate and reflect just how PNM values our Pueblo customer communities,” said Mark Mitchell, Chairman of the All Pueblo Council of Governors. “This incredible investment from PNM will also support capacity development for future leaders while remaining connected to their communities.”

Governance

PNM Resources recognizes that sustainability is an integral part of achieving long-term shareholder value and our strategic goals. Through our regulated utilities, PNM and TNMP, we are dedicated to continuing to serve our customers with reliable, affordable, and environmentally responsible power while transforming to a cleaner energy portfolio and maintaining the reliability and resiliency of the electric grid. Corporate responsibility is embedded in our organization's culture to Do the Right Thing and be the reason everyone goes home safely every day. Our sustainability efforts are managed by our executive leadership team and overseen by the Board of Directors.

Leadership and Oversight

Our commitment to governance policies and practices that serve the interests of the Company and our shareholders, customers and communities is underscored by strong [corporate governance practices](#) and facts for PNM Resources that are described further in our [annual proxy statements](#):

Our sustainability efforts, developed through research, benchmarking and engagement with our stakeholders, support our five strategic objectives identified by our Board and executive leadership team:

✓ Gender, ethnic and experience-diverse Board	✓ Lead Independent Director with specified duties to ensure strong independent oversight
✓ Annual election of all directors and Board refreshment/service policy	✓ Independent directors meeting regularly in executive sessions
✓ Majority voting for all directors	✓ Board committees comprised entirely of independent directors with relevant expertise
✓ Annual Board and committee self-evaluation process	✓ Prohibition of hedging Company securities
✓ Proxy access bylaws	✓ Prohibition of pledging of Company securities by directors and executive officers, including the NEOs
✓ Sustainability reporting and oversight	✓ Incentive compensation awards subject to forfeiture and clawback
✓ Political contributions, lobbying and governmental communications, including voluntary reporting of these activities	✓ Stock ownership guidelines for executives and directors

- Create an environment where employees can succeed
- Engage and earn the trust of our customers and stakeholders
- Always strive for operational excellence
- Create value for our shareholders
- Transform our portfolio for a sustainable future

In conjunction with these objectives, we remain focused on three financial goals:

- Earning authorized returns on our regulated businesses
- Delivering earnings and dividend growth at or above industry-average
- Maintaining solid investment grade metrics


Management Oversight


The executive team (comprised of our CEO, EVP Corporate Development and Finance, SVP CFO, SVP General Counsel, SVP Public Policy, and SVP Utility Operations) plans and executes on programs designed to achieve PNM Resources' strategic goals, including investing in a clean, secure and sustainable resource portfolio and other corporate responsibility efforts. Management is also responsible for assessing significant risks, including the multiple risks and opportunities related to climate change matters, executing appropriate responses, and reporting to the Board on the status of risk activities. With Board oversight, Management prepared a Climate Change Report that details PNM's efforts to transition to a coal-free generation portfolio.


Board Oversight

Our well-qualified, diverse, and high-functioning Board of Directors follows a regular meeting schedule to consider and address key issues, including those related to corporate responsibility and sustainability matters. In addition, the Board conducts an annual strategy session to consider new and emerging trends, consult with outside experts, and assess current strategies and initiatives. In recognition of the importance of sustainability to achieving long-term shareholder value and our strategic goals, seven members of our nine-member Board have environmental/sustainability expertise relevant to the Company's business of providing reliable, affordable and environmentally responsible power to our customers.

Monitoring Risk. The Board oversees the processes established to identify, assess, mitigate, and monitor risks. Throughout the year, the Board assesses potential risks and considers the various challenges and opportunities presented by these risks, plans to mitigate the risks, and the impact these risks may have on our strategy, company and stakeholders.

 **The Full Board Oversees the Significant Risks of Climate Change and Related Issues.** For many years, management has identified and reported to the Board on multiple risks and opportunities related to climate change, including potential environmental regulation, transformation of PNM's generation portfolio, technological innovation, and availability of fuel and water for operations. In contemplating new investments and against a backdrop of a transforming and increasingly interconnected industry, the Board also considers risk related to cybersecurity. Other significant risks overseen by the full Board include safety, New Mexico stakeholder relationships, and physical security.

 **Preparing a Climate Change Report.** The Board is well-advised as it continuously monitors the impacts of our operations on the environment. As part of these efforts, the Board considered the risks and opportunities related to climate change in requesting the preparation of the Climate Change Report and approving PNM's strategy to transition to a cleaner energy portfolio, as well as PNM's and TNMP's investments to enhance their grids to support the expansion of renewable energy.

 **Overseeing Other Risks.** The Board also allocates responsibility for oversight of other risks and sustainability and corporate responsibility matters among the committees of the Board:

- Our [Nominating and Governance Committee](#) oversees our [Corporate Governance Principles](#), risks related to succession planning for the Board and non-employee director compensation.
- Our [Compensation and Human Resources Committee](#) is responsible for establishing our executive compensation program, which aligns with our strategic goals and objectives and encourages our highly

qualified executive team to operate our business in a sustainable manner. It also oversees succession planning risks for our executives and risks related to the compensation program. Our executive compensation programs are described in our [annual proxy statements](#) filed with the SEC.

- Our [Audit and Ethics Committee](#) oversees our [Do the Right Thing: Principles of Business Conduct](#) and plays a central role in overseeing the integrity of our financial statements and reviewing and approving the performance of our internal audit function and independent auditors. It is regularly briefed on our North American Electric Reliability Corporation risks and risk mitigation programs.
- Our [Finance Committee](#) oversees our capital expenditures and financial health, including the capital programs supporting PNM's transformation to a cleaner energy portfolio and enhancements to PNM's and TNMP's grid. The Finance Committee also oversees the Company's management of risks associated with capital availability, liquidity and costs thereof; and monitors the execution of the Company's energy supply, sales, and hedging programs.

Code of Ethics and Ethics Program Management

At PNM Resources, we are committed to always doing business in an ethical, open and transparent manner. We adopted in 1994 a code of ethics, *Do the Right Thing: Principles of Business* which applies to all directors, officers (including the principal executive officer, principal financial officer, and principal accounting officer), and employees. *Do the Right Thing* is available on our website at www.pnmresources.com/esg-commitment/governance.aspx as well as our internal intranet site. We post any amendments to or waivers from our code of ethics (to the extent applicable to the Company's executive officers and directors) on our website.

The principles listed in the code of ethics references our commitment to employees, our relationships with external stakeholders, stewardship of corporate assets and our responsibilities to the public.

Accountability

The Audit and Ethic Committee of PNM Resources Board of Directors holds governing authority over the ethics program and is provided with yearend and mid-year reports by the program staff. Ethics and compliance guidance is provided through the day-to-day conduct of senior management, our code of conduct and company policies, procedures and processes managed at the corporate and operational level. Changes in our program activities are periodically considered as a function of evolving ethics and compliance best practices, company strategy, compliance risk assessment, and the data provided through our confidential and anonymous stakeholder inquiry and reporting process. Appropriate recommendations regarding any changes for consideration are made to the Chief Ethics Officer (CEO) and Chief Compliance Officer (General Counsel) and reported to the Audit and Ethic Committee.

An ethics and compliance process reinforces the expectation for compliance and ethical behavior. The affirmation covers conflicts of interest disclosure and agreement to abide by the code of ethics. Each employee is required to complete and submit an affirmation when hired, then annually, and as their individual circumstances change.

Resources

Ethics and compliance resources include a corporate-wide team that support to internal and external company stakeholders. The program includes corporate staff members, who manage day-to-day program activities.

Multiple avenues are available to relay questions or perceived issues. We have established an anonymous, confidential hotline through which employees and others may report concerns about our business practices. In addition, cross-functional volunteer ethics and compliance representatives provide ethics and compliance support

to co-workers. The compliance representatives are in place to address ethics and compliance inquiries and allegations of misconduct.

Financial Statements

In addition, concerns relating to financial statement disclosures, accounting, internal accounting controls, auditing matters, or other matters involving violations of law are handled in accordance with the complaint procedures adopted by the Audit Committee that are posted on our website at www.pnmresources.com/esg-commitment/governance.aspx.



Our Board has always demonstrated leadership on climate change matters. The Board benefits from our directors' extensive expertise regarding the Company's challenges and opportunities, including those related to climate change. Members of the Board and management team are actively involved in multiple EPRI programs and serve on various Edison Electric Institute (EEI) committees focused on environmental risks and technological innovation to address these risks.

The majority of our Board has significant environmental and sustainability expertise relevant to our regulated electric utility businesses:

- **Patricia Collawn**, our Chairman, President and CEO, previously served as chairman of EPRI and EEI. Ms. Collawn attended United Nations Climate Change Conference of Parties (COP) meetings in Madrid and is leading the Company through the shutdown of all four coal-fired generation units at SJGS, which resulted in significant reductions in carbon dioxide emissions. Internationally, she was appointed Co-Chair of the B20 Italy 2021 Energy & Resources Efficiency Task Force. Additionally, under her leadership, the Company was one of the founding members of the U.S. Climate Action Partnership formed in 2006 and endorsed the 2009 Waxman-Markey climate change bill, aimed at significantly reducing CO₂ emissions and increasing renewable energy across the U.S.
- **Alan Fohrer** is a former chairman and CEO of Southern California Edison while it was a leader in both renewable energy purchases and energy efficiency. He also has co-chaired EEI's energy delivery and reliability committees and served on the boards of directors of the Institute of Nuclear Power Operations.
- **E. Renae Conley's** CEO experience at an energy consulting firm and directorships and executive officer positions at public energy companies.
- **Sidney Gutierrez** served as director of Environmental, Safety and Health Programs of Sandia National Laboratories.
- **Maureen Mullarkey** served as a director of another public energy company and served as an Entrepreneur in Residence with the Nevada Institute for Renewable Energy Commercialization.
- **Vicky Bailey** has over thirty years of high level, national and international experience in energy and regulated industries, including as a current director of two public energy companies. She also serves as a director of Battelle Memorial Institute, a non-profit applied science and technology organization that manages several of the National labs across the country for the United States Department of Energy.
- **James Hughes** has extensive experience in the energy industry, particularly with respect to the renewable energy sector. He is CEO and managing director of an energy storage company and is the former CEO and director of a solar company and a private company that owned and operated power distribution, power generation and natural gas transportation and distribution businesses.

We continually evaluate whether our governance processes are appropriate and effective in promoting holistic and long-term approaches to managing environmental, social and governance matters. We also ensure our disclosures on this topic are transparent and helpful to our stakeholders. As part of these efforts, we are evaluating different disclosure frameworks, including the framework created by the Task Force on Climate-Related Financial Disclosures and a framework created by EEI. The Company is also participating in an EPRI project that is evaluating potential climate change policy scenario analysis and greenhouse gas goal setting.

Cybersecurity

PNM Resources believes that cybersecurity, like safety, is everyone's responsibility. We are committed to a S³R³ cybersecurity philosophy, which exemplifies that only by simplifying and standardizing our systems and services are we able to secure them, and only by ensuring their redundancy and resilience, can we provide a reliable electric supply. In order to actualize our philosophy, we maintain a robust, enterprise-wide, risk-based security program, informed by the National Institute of Science and Technology (NIST) Cybersecurity Framework for Protecting Critical Infrastructure. To protect our most critical systems, we also comply with the North American Electric Reliability Corporation's Critical Infrastructure Protection Standards. PNM Resources regularly assesses our vulnerability to cyber-attack by employing third party audits, penetration tests, and internal process assessments to continuously improve our internal cyber and data privacy controls. We partner with government and industry peers in a number of cybersecurity programs to share information and provide mutual assistance in the event of a cyber-attack. We assess the risk of third-party suppliers as part of our procurement process and incorporate cybersecurity controls in all supplier contracts. PNM Resources remains focused on increasing cybersecurity awareness and continues to implement additional technologies to enhance our cybersecurity capabilities.

Public Policy

The Company believes that public policy decisions shape the direction of our government and impact the environment in which we do business and the quality of life for all. Engaging in an open and transparent political process is an important principle of the Company. Accordingly, the Company encourages our employees and stakeholders to participate in the political and public policy making processes. We support and strictly comply with all applicable federal, state, and local laws governing our political activities.

Employee Political Participation

Employees at all levels are encouraged to participate in the political process and fully exercise their rights. Consequently, the Company generally will not promulgate policies that restrict any appropriate, lawful participation. However, campaign contributions to candidates seeking election to the NMPRC must be given special consideration given the NMPRC's role as a regulator of the rates and services of PNM. Therefore, Company officers should refrain from contributing to NMPRC candidates or their campaign committees. Laws and regulations governing political activities and contributions are complex, and employees are prohibited from acting on behalf of PNM Resources or in any way giving the impression that their own opinions represent those of the Company unless they are expressly authorized to do so. PNM Resources supports and encourages eligible employees to participate in the PNM Resources Responsible Citizens Group (RCG), an employee-funded political action committee (PAC) governed by its own board of trustees.

Corporate Political Participation

Federal laws govern how a corporation may participate in the political process. On a limited basis and with the approval of the senior government affairs officer, PNM Resources may use corporate funds to make contributions to 527 organizations (tax-exempt organizations that engage in political activities), trade associations and for independent expenditures. PNM Resources also makes contributions to 501(c)(4) organizations whose primary purpose is to promote social welfare. PNM Resources generally supports public policies that further the Company's business objectives; promote a diverse mix of resources for providing electricity to our customers; and support investments in the infrastructure needed to ensure safe, environmentally responsible, reliable, and cost-effective service for our customers.

The Company's decisions on spending corporate funds are based on what is in the best interests of the Company and what we believe is sound public policy, and not on the personal preferences of Company officers, directors or employees. We also engage in important state and federal issues through trade associations that represent a broad array of professional and industry interests. Depending on their roles, these organizations may be subject to lobbyist registration and disclosure reporting obligations, with their reports made available to the public by the federal and state agencies overseeing lobbying activities. If a trade association to which the Company has contributed informs the Company that a portion of annual dues was used for lobbying, the Company discloses the name of the trade association and the dollar amount used for lobbying in our Annual Report of Contributions (below), provided that the amount is \$1,000 or more. Additionally, we are active in local chambers of commerce because the Company actively supports the economic vitality of the areas we serve. PNM Resources' policies require that representatives of the Company file all political compliance reports required by the Federal Elections Commission and state election compliance offices in a complete and timely manner.

Responsible Citizens Group (RCG)

PNM Resources supports the RCG. As permitted by law, the Company may match employee contributions with donations to qualifying charities to encourage employee membership and participation in the RCG. While the Company is not permitted to make contributions to the RCG, the law does permit the Company to fund certain RCG administrative expenses such as the cost of sending periodic newsletters and conducting the annual meeting.

Independent Expenditures

PNM Resources may make independent expenditures from our own funds or contribute to a separate registered PAC that engages in independent expenditures concerning specific candidates, initiatives or referenda to the extent permitted by law. All such expenditures are reported annually to the Audit and Ethics Committee of the Company's Board of Directors. PNM Resources provides support for New Mexicans for Progress, a PAC to educate the public on public policy that advances the creation of jobs, infrastructure and economic development.

Lobbying

PNM Resources actively participates in the political process to help shape policies that support our efforts to effectively and responsibly serve our customers, advance our business strategies and goals, promote effective public and government relations, and serve the interests of key stakeholder groups. By engaging with elected

officials, community and business leaders, and state agencies, among others, we strive to conduct our business as transparently as possible to build trust and develop lasting partnerships that promote growth and innovation within our communities. PNM Resources engages registered lobbyists, both federal and state, to support its legislative and regulatory activities. These lobbyists are carefully selected and are engaged only with the approval of senior management responsible for government affairs oversight. Company employees whose main job is to lobby at the federal, state and local government levels are not permitted to make personal contributions to candidates for state and local offices in New Mexico and Texas. These employees and other interested eligible employees are provided the opportunity to participate in the RCG, where the board of trustees oversees the distribution of campaign contributions.

Trade Associations

PNM Resources works with trade associations in our government relations activities. Depending on their capacity and function, some trade associations may be subject to lobbyist disclosure reporting obligations, with their reports made available to the public by the federal and state agencies overseeing lobbying activities. For the trade associations where PNM Resources has contributed \$1,000 or more, and the organization informs the Company a portion of annual dues was used for lobbying, PNM Resources discloses the name of the trade association and the dollar amount used for lobbying in our Annual Report of Contributions.

PNM Resources' Corporate Political Contributions

As part of our continued commitment to an open and transparent political process, we are pleased to provide a voluntary report of corporate contributions made to 527 organizations. Below, we report the lobbying portion of payments and dues to trade associations that, if made directly by PNM Resources, would not be deductible under section 162(e) of the Internal Revenue Code. The report on the lobbying portion of payments and dues is based upon information provided by the trade associations.

PNM Resources Annual Reports of Contributions and Expenditures

2021 Corporate Political Contributions to 527 Organizations	
Name of Recipient	Amount
Democratic Legislative Campaign Committee (DLCC)	\$10,000

2021 Lobbying Portion of Trade Association Dues	
Name of Recipient ⁽¹⁾	Amount ⁽²⁾
Albuquerque Economic Development	\$2,000
Greater Albuquerque Chamber of Commerce	\$2,911
Association of Commerce and Industry	\$7,600
Edison Electric Institute	\$733,929
Association of Electric Companies of Texas, Inc.	\$93,750

⁽¹⁾ Depending on their capacity and function, some trade associations may be subject to lobbyist disclosure reporting obligations, with their reports made available to the public by the federal and state agencies overseeing lobbying activities. This report includes trade associations to which PNM Resources made payments greater than \$1,000 for dues and which notified PNM Resources of the portion used by that organization for expenditures or contributions that if made directly by PNM Resources would not be deductible under section 162(e) of the Internal Revenue Code.

⁽²⁾ Reported amount represents the estimated portion of PNM Resources dues that if made directly by PNM Resources would not be deductible under section 162(e) of the Internal Revenue Code and is based upon information requested and received by PNM Resources. All PAC contributions are publicly disclosed on the [Federal Election Commission website](#). You can also view RCG contributions to state and local political campaigns on the New Mexico Secretary of State's website (<http://sos.state.nm.us>) as well as the Company's contributions to independent expenditure PACs.

Public Disclosure

PNM Resources and their lobbyists are required to file lobbying reports with Congress and with state agencies on a regular basis. The reports include information on the issues lobbied, the agencies contacted and the expenditures made, and are available for public review on the websites of the U.S. House of Representatives (<http://www.house.gov>) and the U.S. Senate (<http://www.senate.gov>). State reports for PNM lobbyists are available for review through the New Mexico Secretary of State (<http://sos.state.nm.us>), and state reports for TNMP lobbyists are available for review through the Texas Ethics Commission (<https://www.ethics.state.tx.us>).

Supply Chain

We are committed to ensuring our high environmental, safety and social standards extend throughout our supply chain. Our procurement process includes considerations of sustainability in our contracting and sourcing process.

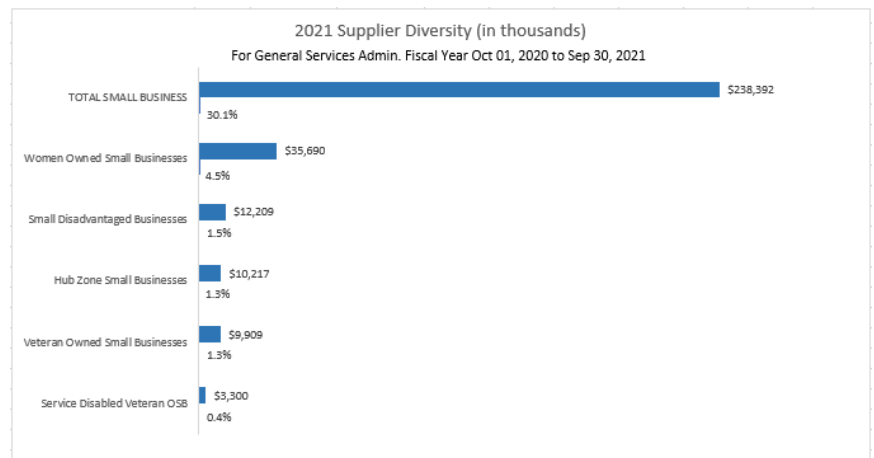
Supplier Diversity Program

PNM Resources has an active Supplier Diversity program. We participate in several small business and supplier diversity events and even though we are not required to meet supplier diversity spend targets, we make every effort to identify and support small and diverse businesses in the communities we serve.

Our Sourcing department maintains a database of small and diverse businesses that have registered with our company. That database is sorted by

commodity/category. The Sourcing organization monitors entities that have registered with us in categories that might be aligned with suitable activities so that they can be considered for appropriate opportunities.

In addition, we capture our spend with small and disadvantaged businesses so that we have an indication of our activities in supporting those companies with lesser footprints and leverage.



Data

PNM Resources, Inc. ESG Data

Generation Capacity (MW)	2017	2018	2019	2020	2021
Coal	983	762	762	762	762
Gas	989	989	989	1,001	1,001
Nuclear	402	402	402	402	402
Solar	117	137	237	287	287
Wind	306	356	356	352	658
Geothermal	4	15	15	11	11
Total Renewable Capacity	427	508	608	650	956
Total Generation Capacity	2,801	2,661	2,761	2,816	3,122

Net Generation (MWh)	2017	2018	2019	2020	2021
Coal	5,830,411	4,160,727	4,265,222	4,045,720	4,102,346
Gas	951,451	1,722,484	1,840,249	1,637,626	1,555,321
Nuclear	3,298,684	3,172,848	3,255,777	3,219,563	3,224,602
Solar	247,336	330,812	382,945	685,964	747,245
Wind	712,457	716,812	1,018,043	991,099	1,943,838
Geothermal	12,960	13,108	58,082	53,364	50,885
Total Renewable Generation	972,753	1,060,732	1,459,070	1,730,427	2,741,968
Total Generation	11,053,299	10,116,791	10,820,318	10,633,336	11,624,237

Emissions*	2017	2018	2019	2020	2021
CO ₂ (short tons)	7,551,124	6,074,753	6,141,623	5,932,220	5,978,782
CO ₂ (metric tons)	6,850,264	5,510,923	5,571,587	5,381,589	5,423,861
NO _x (short tons)	9,877	5,458	5,078	4,956	4,973

NO _x (metric tons)	8,960	4,951	4,607	5,085	4,511
SO ₂ (short tons)	2,608	1,090	1,251	1,079	911
SO ₂ (metric tons)	2,366	989	1,135	995	826
PM ₁₀ (short tons)	185	149	187	191	179
PM ₁₀ (metric tons)	168	135	170	198	162
Mercury (pounds)	10.17	5.07	3.60	4.42	5.20
CO ₂ Emission intensity (short tons/MWh)	0.6880	0.6130	0.5875	0.57	0.5195
CO ₂ Emission intensity (metric tons/MWh)	0.6199	0.5498	0.5282	0.5155	0.4700

Water (million U.S. gallons):	2017	2018	2019	2020	2021
Surface Water Withdrawal	3,785	2,544	2,537	2,440	2,462
Surface Water Return Flow	0	0	0	0	0
Total Surface Water Consumption	3,785	2,544	2,537	2,440	2,462
Ground Water Withdrawal	362	516	328	331	331
Ground Water Return Flow	0	0	0	0	0
Total Ground Water Consumption	362	516	328	331	331
Total Fresh Water Withdrawals	4,147	3,060	2,865	2,771	2,793
Total Water Return Flows	0	0	0	0	0
Total Water Consumption	4,147	3,060	2,865	2,771	2,793

Coal Combustion Residuals (CCR)	2017	2018	2019	2020	2021
CCR Generated (tons)	2,425,447	1,501,770	1,770,572	1,689,048	1,607,963
CCR Recycled (tons)	548,348	540,599	632,514	547,981	298,330
Percentage Recycled	22.6%	36.0%	35.7%	32.4%	18.5%

Energy Efficiency					
Annual Electricity Savings (GWh)	2017	2018	2019	2020	2021
PNM	78	72	78	87	107
TNMP	21	17	16	17	19
Reliability Indices:					
PNM	2017	2018	2019	2020	2021
SAIDI	87.4	107.3	103.4	89.2	97.5
SAIFI	0.88	0.98	0.89	0.71	0.82
CAIDI	99.5	109	116.5	125.1	119.2
TNMP					
SAIDI	104.7	113.5	131.7	134.5	131.2
SAIFI	1.39	1.73	1.54	1.48	1.49
CAIDI	100.4	65.9	85.6	88.7	92.6
Employees					
Includes PNM Resources, PNM & TNMP	2017	2018	2019	2020	2021
Total Employees	1,697	1,689	1,668	1,706	1,646
Number of Employees (full time)	1,690	1,684	1,667	1,703	1,643
Number of Employees (part time)	7	5	1	3	3
% of union employees	40.8%	39.4%	39.6%	39.0%	38.7%
% of women employees	25.0%	25.6%	25.6%	26.1%	26.3%
% of minority employees	47.5%	49.3%	50.1%	50.4%	52.0%
% of veteran employees	8.5%	9.1%	8.5%	8.5%	8.5%
Total company officers	9	8	8	10	10
Number of women company officers	3	2	2	3	3
Number of minority company officers	1	1	1	2	2
Number of employees at risk for retirement	10.6%	9.8%	12.8%	12.0%	12.0%
Annual employee turnover	12.4%	10.2%	11.8%	7.6%	13.8%

Safety	2017	2018	2019	2020	2021
Employee DART Rate	1.45	1.83	1.13	1.63	2.81
Total Employee Recordable Incident Rate (TRIR)	2.9	2.37	1.88	2.7	3.9
Employee Lost Time Incident Rate (LTIR)	0.79	0.81	1.00	1.07	2.17
Employee Fatalities	0	0	0	0	0
Customers and Community:					
PNM Customers	2017	2018	2019	2020	2021
Residential	465,950	470,192	473,803	479,112	481,706
Commercial	56,655	57,000	57,369	57,669	58,250
Industrial	239	236	201	194	195
Economy service	1	1	1	1	1
Other sales for resale	36	39	26	19	26
Other	931	932	930	935	953
Total	523,812	528,400	532,330	537,930	541,131
TNMP Customers	2017	2018	2019	2020	2021
Residential	207,788	210,696	213,435	217,511	222,072
Commercial	39,814	40,508	41,054	41,267	41,501
Industrial	82	88	96	97	99
Other	1,948	1,924	1,911	1,901	1,893
Total	249,632	253,216	256,496	260,776	265,565
	2017	2018	2019	2020	2021
Corporate giving, including donations	\$1,856,000	\$1,899,000	\$2,461,747	\$3,301,938	\$4,589,521
PNM Resources Foundation giving	\$1,210,146	\$1,656,375	\$1,561,731	\$1,237,730	\$1,472,632
Total charitable giving	\$3,066,146	\$3,555,375	\$4,023,478	\$4,539,668	\$6,062,153
PNM Low-income assistance provided (families helped)	3,804	3,703	3,734	3,477	4,147

Number of organizations helped	460	442	455	358	341
Employee volunteer hours	10,479	11,500	13,317	6,500	8,741
Supplier Spend (in thousands)*	2017	2018	2019	2020	2021
Total Supplier Spend	\$507,438	\$789,165	\$669,408	\$683,004	\$791,934
Total Small Business Spend	\$113,399	\$149,662	\$158,422	\$172,756	\$238,392
Veteran Owned Small Businesses Spend	\$3,141	\$4,826	\$3,436	\$7,837	\$9,909
Service Disabled Veteran OSB Spend	\$979	\$1,016	\$4,495	\$5,005	\$3,300
Women Owned Small Businesses Spend	\$19,474	\$28,087	\$27,687	\$26,494	\$35,690
Small Disadvantaged Businesses Spend	\$7,377	\$8,677	\$13,103	\$9,462	\$12,209
Hub Zone Small Businesses Spend	\$800	\$934	\$8,437	\$7,031	\$10,217
Financial Results	2017	2018	2019	2020	2021
Total revenue (in thousands)	\$1,445,003	\$1,436,613	\$1,457,603	\$1,523,012	\$1,779,873
GAAP EPS - Diluted	\$1.00	\$1.07	\$0.97	\$2.15	\$2.27
Ongoing EPS - Diluted*	\$1.94	\$2.00	\$2.16	\$2.28	\$2.45
Dividends Declared per Common Share	\$0.9925	\$1.0850	\$1.1775	\$1.2500	\$1.3300
Taxes					
Federal Taxes	2017	2018	2019	2020	2021
Heavy Highway Vehicle Use	\$6,681	\$9,194	\$5,428	\$6,256	\$3,038
Federal excise tax	\$29,576	\$29,757	\$33,938	\$10,918	\$133,045
FICA (Employer)	\$12,658,964	\$12,213,670	\$12,530,941	\$12,840,541	\$13,282,189
Federal unemployment tax	\$80,572	\$78,471	\$78,116	\$41,271	\$78,441
Total Federal Taxes	\$12,775,793	\$12,331,093	\$12,648,422	\$12,898,986	\$13,496,713
State Property Tax					
New Mexico	\$27,058,467	\$27,930,032	\$29,044,654	\$28,942,137	\$29,873,653
Arizona	\$4,509,376	\$4,604,969	\$4,514,834	\$4,474,613	\$4,139,194

Texas	\$14,442,044	\$14,401,928	\$15,816,354	\$16,271,611	\$19,489,131
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Gross Receipts/Sales Tax

New Mexico	\$70,457,707	\$66,606,182	\$66,787,559	\$72,148,849	\$77,256,821
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Texas	\$2,497,021	\$3,490,715	\$4,262,462	\$1,912,392	\$2,903,415
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Political Contributions and Lobbying

	2017	2018	2019	2020	2021
Political contributions	\$17,100	\$7,050	\$35,500	\$5,600	\$10,000

Lobbying Portion of Trade Association Dues	\$154,939	\$139,064	\$176,033	\$178,624	\$840,190
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Governance

	2017	2018	2019	2020	2021
Total board members	8	8	10	9	9

Women board members	3	3	4	4	4
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Minority board members	1	1	2	2	2
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Board meetings held	5	10	9	16	8
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Average board attendance	100%	100%	97.80%	75%	100%
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Policies



[Do the Right Thing: Principles of Business Conduct](#)



[Corporate Environmental Policy](#)



[Equal Employment Opportunity and Diversity](#)



[Corporate Governance Principles](#)



[Equity Compensations Awards Policy](#)



[Complaint Procedures](#)



[Related Party Transactions](#)



[Audit, Audit-Related and Non-Audit Fees and Services](#)

Board of Directors Committee Charters



[Compensation and Human Resources Committee](#)



[Nominating and Governance Committee](#)



[Audit and Ethics Committee](#)



[Finance Committee](#)

Articles and Bylaws



[Restated Articles of Incorporation](#)



[Bylaws](#)