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ANNUAL  
INTEGRATED  
REPORT

axtel

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# 2021 AT A GLANCE

**47,300 KM**

FIBER OPTIC NETWORK

**+18,000**

CUSTOMERS SERVED

**Ps. 11,389 MILLION**

IN REVENUE

**34**

HOURS ON AVERAGE  
OF TRAINING PER  
EMPLOYEE

**45 %**

OF THE ENERGY WE  
CONSUME COMES  
FROM CLEAN OR  
RENEWABLE SOURCES

**1°**

VIRTUAL MOBILE  
OPERATOR FOCUSED  
EXCLUSIVELY ON THE  
BUSINESS SEGMENT IN  
MEXICO

**+\$707,900**

DONATED BY OUR  
EMPLOYEES FOR  
SOCIAL CAUSES

**Ps. 3,793 MILLION**

FLOW\*

**+200,500 KILOGRAMS**

OF PAPER AND  
CARDBOARD SENT FOR  
RECYCLING

**93 %**

INCREASE IN OUR S&P  
CSA RATING<sup>1</sup>

\* Flow: operating income, plus depreciation and amortization, plus impairment of fixed assets.

<sup>1</sup> Increase compared to 2020 assessment.

**Note:** in this integrated annual report, the amounts are presented in Mexican pesos (Ps.) and in nominal dollars (US), except where otherwise specified.

# DEAR STAKEHOLDERS,

2021 was a year with challenges and lessons, during which our digitalization processes and capacity for innovation allowed us to become more flexible and agile to adapt to continuously changing conditions.

We recognize the more than 4,000 Axtel employees who, with dedication and leadership, have contributed to the digitalization of our internal processes and with customers. We also thank suppliers for their contribution to our business, with solutions that demonstrate the outstanding role that technology plays in the productivity and evolution of our company, our customers, and their respective industries.

IN 2021, WE ADVANCED  
IN THE EXECUTION OF  
OUR STRATEGIC BUSINESS  
INITIATIVES AND IN THE  
IMPLEMENTATION OF  
PROJECTS **THAT ALLOW US  
TO EVOLVE WITH INDUSTRY  
TRENDS AND THE NEEDS OF  
OUR CUSTOMERS**

In order to increase our market share, **this year we are redefining our business model from the business market to one of high specialization,** which was successfully tested for cybersecurity services in 2021, so we decided to replicate it for high-growth business lines, such as cloud, systems integration, collaboration and managed networks.



**EDUARDO  
ESCALANTE CASTILLO**

Chief Executive Officer

We also launched **Alestra Móvil, the first mobile virtual network operator (MVNO) focused exclusively on business customers in Mexico**, with which we entered the mobility market seeking to enable companies to take their fixed capabilities to a mobile device, as well as enable third-party mobile projects through our platform as a mobile virtual enabler (MVNE).

Along with these initiatives, we held talks to attract potential investors for Axtel or the Infrastructure Unit. The environment of uncertainty in Mexico and in the world, as well as adjustments in the plans of industry participants in the country, among others, have influenced the prolongation of this process.

We maintained a disciplined approach to our finances to continue to improve the capital structure. **Axtel's debt has consistently decreased over the past five years, accumulating a 41% reduction in net debt from 2016 to 2021.** Throughout the year, and supported by a solid pre-tax cash flow of \$53 million dollars (result of good collection and cautious investment analysis), we managed to reduce debt by 5% and maintain the net leverage ratio at 3.1 times. In addition, during the year we obtained two committed credit lines, over three years, for about \$70 million dollars.

With a stable performance for Axtel Networks, our Infrastructure Unit, and mixed results for Alestra, our Services Unit, in 2021, we reported an 8% reduction in revenue, reaching Ps. 11,389 million, while the Flow decreased 10%, reaching Ps. 3,793 million.

**At Alestra, the solid 11% growth in digital transformation services** was mitigated by the drop in voice revenue stemming from lower volume due to the adoption of collaboration tools and, also, by the still challenging government segment. While, at Axtel Networks, revenues increased 1%, even without fully reflecting the growth opportunities that we expect to materialize with investments in next-generation mobile networks and the start-up of the multiple data centers currently under construction in Mexico.

WE WILL CONTINUE TO FOCUS ON OPERATIONAL EFFICIENCY, **SUPPORTED BY THE DIGITALIZATION AND AUTOMATION OF PROCESSES AT AXTEL**, WHICH CONTRIBUTED TO A 7% DECREASE IN EXPENSES IN THE YEAR AND IN EXECUTION OF OUR STRATEGY, TO INCREASE OUR FLOW FORWARD.

**At Alestra, we have the most complete network of global technology partners in the market**, developing a strategy of technological specialization throughout the value chain, achieving around 2,300 certifications with many of those partners. We promote innovation through new projects, among which we can highlight the development of Cloud Express, a unique solution in Mexico that provides direct connectivity to the main private and public cloud providers, national and international. Likewise, in 2021, the fifth generation of the NAVE incubation program was carried out, with six participating companies and two graduates with a specialty in logistics process software and identity recognition.

**At Axtel Networks, we focus on supporting operators to grow the coverage of their networks and capabilities.** We launched Data Center Connect, a solution that allows any data center and cloud infrastructure in the world to connect with each other. To support the solution and deliver high-capacity wavelength services, we deploy our consistent DWDM network in preparation for the entry of new data center operators.

The solutions developed throughout the year, together with other initiatives, were reflected in the customer experience, in which we exceeded the Net Promoter Score (NPS) objectives set for 2021 by an average of 35 points.

Reaffirming our commitment to sustainable development and environmental, social and governance management, in 2021, **we reached the 71st percentile within the Telecommunications Industry globally in the S&P Global Corporate Sustainability Assessment**, improving our score by 93% compared to the previous year (date: Dec'21). Likewise, for the eleventh consecutive year, we endorsed our adherence to the United Nations Global Compact and received for the fourteenth consecutive year the Socially Responsible Company distinction.

Driving climate action, since 2020, we started the process of shutting down obsolete equipment, which will conclude in 2025. This year, we turned off 13 telephone exchanges which represented savings of Ps. 3 million and 553 tons of CO<sub>2</sub>e avoided. While in our day-to-day operation we migrate 45% of our energy consumption to more efficient suppliers.



**TOMÁS  
MILMO SANTOS**

Co-Chairman of the Board  
of Directors

**ÁLVARO  
FERNÁNDEZ GARZA**

Co-Chairman of the Board of  
Directors

In terms of our social performance, we invested more than Ps. \$13 million in training and wellness initiatives for our employees. In addition, for the first time we measured the levels of commitment perceived by our people with the company, resulting in a level of 98% commitment.

In 2022, for Alestra, we have positive expectations for the business segment, which will be driven by digital transformation and mobility services, supported by our highly specialized commercial redesign, counteracting the expectation of a decrease in voice services. At Axtel Networks, the expected investments in the deployment of next-generation 5G mobile networks and the construction of new data centers present attractive opportunities for fiber-to-tower and fiber-to-data center services.

We have opportunities to improve Axtel's business prospects in the short and long term, seeking to produce better results and thus maximize value for all of you.

On behalf of the Board of Directors, our management team and our employees, we thank you for your trust in Axtel.

**SINCERELY,**

**Álvaro Fernández Garza**

Co-Chairman of the Board of Directors

**Tomás Milmo Santos**

Co-Chairman of the Board of Directors

**Eduardo Escalante Castillo**

Chief Executive Officer

# OUR BUSINESS

# 01

**10**  
AXTEL NETWORKS

**13**  
ALESTRA

**21**  
CUSTOMER EXPERIENCE

**26**  
SUPPLY CHAIN

**28**  
DATA SECURITY

**30**  
BUSINESS CONTINUITY

**35**  
INNOVATION

**40**  
CERTIFICATIONS

AXTEL IS A **LEADING MEXICAN INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) SERVICE PROVIDER** FOR COMPANIES, GOVERNMENT ENTITIES, AND THE WHOLESALE MARKET





**We are part of ALFA**, a Mexican consortium present in 19 countries in the Americas and Europe; which manages a diversified business portfolio comprising the companies Alpek, Sigma, and Axtel. ALFA owns 52.8% of the capital stock of our company.

To serve our market we are organized into two business units, Axtel Networks (Infrastructure Unit) and Alestra (Services Unit), from where we provide a wide range of technological solutions for customers, accompanying them in their evolution towards digital innovation.

**AXNET | AXTEL NETWORKS**

**Infrastructure**

- SERVICE PORTFOLIO:**
- Last mile access
  - IP Transit
  - Fiber (dark and lit)
  - Fiber to tower
  - Fiber to data center
  - Radio spectrum
  - Collocation

**Customers:** mobile and fixed carriers (national and international), internet giants, data centers, tower operators.

**ALESTRA**

**SERVICES**

- DIGITAL TRANSFORMATION**
- CLOUD**
    - Infrastructure and Applications as a Service
    - Multicloud
    - Digitalization & IoT
  - CYBERSECURITY**
    - IT and network and consulting
  - MOVILITY**
    - Enterprise MVNO
  - COLLABORATION**
    - Unified Communications / Videoconference
- VALUE ADDED**
- INTEGRATION SYSTEMS**
    - DRP
    - SYSTEMS INTEGRATIONS
  - MANAGED SERVICES**
    - Managed Services
- INFRASTRUCTURE BASED**
- STANDARD SERVICES**
    - Data and Internet
    - Voice
  - CONNECTIVITY SERVICES**
    - Ethernet
    - LAN
    - SDWAN
    - VPN
    - WiFi

**Customers:** enterprise and government segments.

WE ARE THE MEXICAN COMPANY WITH **THE MOST ROBUST INFORMATION TECHNOLOGY SERVICES OFFER** WITH PRODUCTS AND SERVICES THAT ALLOW CUSTOMERS TO MAINTAIN **OPERATIONAL EFFICIENCY**



**INFRASTRUCTURE UNIT**

**A X T E L  
N E T W O R K S**

At Axtel Networks we offer infrastructure solutions based on our fiber optic network and spectrum to expand the capabilities of national and international carriers, mobile carriers and data center operators, internet giants, content, and cloud providers, that in turn serve end customers.

Our long-distance fiber optic network offers coverage in all regions of Mexico, providing Ethernet access to 72 cities and delivering connectivity solutions such as high-capacity wavelengths, dark and illuminated fiber links, IP Transit ports and last-mile access to the main fixed and mobile operators. Our metropolitan network offers high-density coverage in the most important business areas of Mexico, allowing the connection of companies, cell sites and data centers with the highest quality.

**47,300 km**

FIBER OPTIC NETWORK

**WE ARE THE MOST IMPORTANT NEUTRAL INFRASTRUCTURE OPERATOR IN MEXICO, PROVIDING HIGH AVAILABILITY CONNECTIVITY TO ALL DATA CENTERS IN THE COUNTRY**

We remain as the number one provider in quality of service, according to the periodic reports of the major international operators, who recognize Axtel Networks as a business partner with high customer and network performance focus.

Axtel is also recognized as a key provider of fiber-to-the-tower services to mobile operators, with almost 1,200 km of fiber optic cables used to provide connectivity to cellular sites. We increased our presence covering 90% of the top A/A+ office buildings, housing the most important companies in the country, reaching a total of 433. We delivered almost 4,500 last-mile circuits, most of these through fiber optics.

During the 2021 International Telecoms Week, the annual meeting point for the global telecommunications wholesale community, we launched Data Center Connect, a solution that allows any data center and cloud infrastructure in the world to connect to each other.

## WE ARE THE FIRST OPERATOR IN MEXICO TO USE API UNDER THE MEF STANDARD

### AXTEL NETWORKS REVENUE\*\* (millions of Mexican pesos)



\* For comparative purposes, adjusted for divestiture of data center business.  
\*\* Includes inter-unit revenue or revenue from Alestra.

To support the solution, we deployed our coherent DWDM network in the main data centers of Mexico City, expanded it to the city of Querétaro in preparation for the entry of new data center operators that will provide services to Hyperscalers, and took it to El Paso, Texas in the United States, with the aim of enabling another high-capacity international crossing.

With this infrastructure we expanded the possibility of offering high-capacity wavelength services to interconnect locations locally and nationally, or with locations in the United States, Latin America and the rest of the world.

During the year we also implemented the application programming interface (API) under the MEF standard, a leading global association for the network, cloud, and technology provider industry. APIs allow international operators to contact us and make automated requests concerning feasibility, quotes, and structured ordering of last-mile access services, making Axtel the first operator in Mexico, and one of only 23 operators in the world, already operating in accordance with these standards.

While meeting our goal to provide world-class services, we obtained the MEF 3.0 Carrier Ethernet certification for our Access E-Line<sup>1</sup> and Ethernet services, which positions us before global operators as the leading infrastructure provider with excellent performance and reliability.

<sup>1</sup> Access E-Line is a last-mile access technology.



# AT AXTEL NETWORKS WE ARE PREPARING OUR NETWORK FOR MAJOR TECHNOLOGICAL EVOLUTIONS

- LONG DISTANCE NETWORK
- CAPACITY AGREEMENTS (IRU)
- LEASED LONG-DISTANCE TRANSMISSION CAPACITY

**7, 10.5, 15, 23 y 38 GHz**

MICROWAVES FOR LAST-MILE CONNECTIVITY AND BUSINESS SECTOR METROPOLITAN COVERAGE

**69 cities**

WITH LOCAL SERVICE

**72 cities**

WITH ETHERNET DATA SERVICES

**47,300 km**

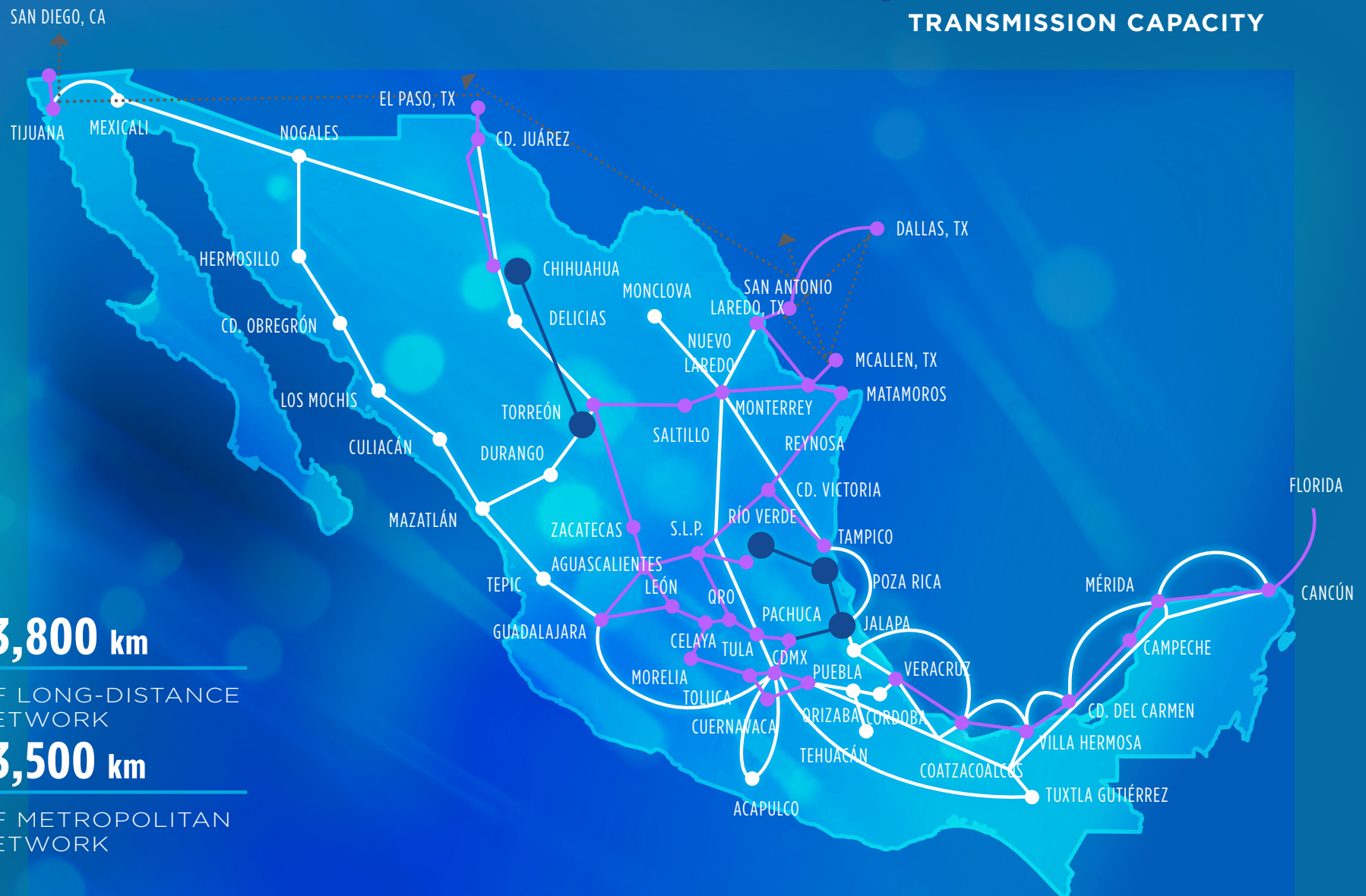
OF FIBER OPTIC NETWORK

**23,800 km**

OF LONG-DISTANCE NETWORK

**23,500 km**

OF METROPOLITAN NETWORK



WE PROVIDE ADVANCED INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) SOLUTIONS FOR THE BUSINESS AND GOVERNMENT SECTORS, WE HAVE 15 YEARS OF EXPERIENCE IN CORPORATE INNOVATION SOLUTIONS

25 YEARS

BEING LEADERS IN DIGITAL TRANSFORMATION

alestrax

## SERVICES UNIT

# A L E S T R A

Our services are organized in three main categories from which we offer over 120 solutions:

### Infrastructure-based solutions



Voice



Data and Internet



VPN



Ethernet



Data Centers

### Value added solutions



System integration



Managed services

### Solutions towards digitalization



Cybersecurity



Collaboration



Cloud



Application management

With these solutions we manage to meet the specific needs of our customers, guaranteeing them mobility towards digital transformation, so they can achieve greater efficiency in their processes and face today's challenges.

In mid-2021 we developed **Cloud Express**, a unique solution in Mexico that provides direct connectivity to the main national and international private and public cloud providers. This high-performance connection is independent of the customer's Internet network, providing high availability and lower latency for their needs.



TO ENSURE PORTFOLIO EXCELLENCE WE WORK IN  
PARTNERSHIP WITH WORLDWIDE LEADERS IN  
TECHNOLOGY MANUFACTURERS

Likewise, this year we created a new line of business, **Alestra Móvil**, the first Mobile Virtual Network Operator (MVNO) in Mexico. With this business we entered the mobility market seeking to help companies move their capabilities, experiences, tools, and fixed technologies to mobile devices so they can control their operations from anywhere, guaranteeing the highest availability in the market and the highest level of security and flexibility.

**Alestra Móvil is the first high availability mobility solution thanks to its multi-operator network.**

We recognize that, in order to reach our end customers with solutions developed specifically for their technological needs, all Alestra's employees who intervene from pre-sales to operations must be experts. With this in mind, we developed a technology specialization strategy involving more than 650 engineers, thereby increasing the technical advisory level per service family. As a result, we achieved approximately 2,300 certifications with our various technology partners<sup>1</sup>.

We classify our customers into two sectors: the business market and the government market.

<sup>1</sup> If you require details of these certifications, please check the Certifications section of this report.

## BUSINESS MARKET

We contribute to the digital transformation of companies from various sectors that can access new technology driven business opportunities. Our portfolio consists of specific solutions based on managed network tools, collaboration, cybersecurity, systems and cloud integration, cloud, mobility, digital transformation and connectivity.

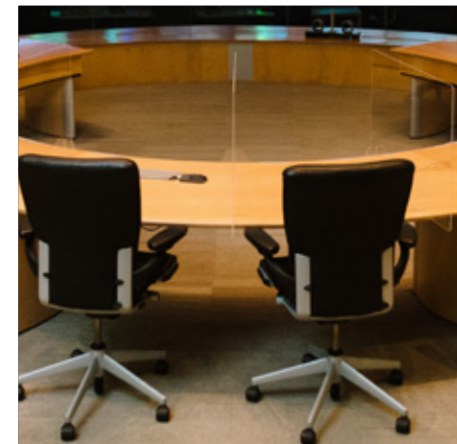
**Through Alestra we serve more than 18,000 business customers, mainly in the corporate and financial sectors, and provide specialized solutions for many others.**

In 2021 we showed that **#WeAreExperts** in solving challenges that arise in different regions and markets, offering traditional telecommunications services as well as a portfolio with high complexity value-added solutions and digital transformation tailored to the needs and requirements of each sector. As a result of **#WeAreExperts**, we reached the sales levels we had prior to the onset of the COVID-19 pandemic in 2020.

Within the business market, in the corporate sector we had double-digit growth in cybersecurity solutions, while in the financial sector, we entered into an agreement with the National Banking and Securities Commission (CNBV, acronym in Spanish) to become expert providers in digital and IT transformation in Mexico.

### ALESTRA BUSINESS MARKET REVENUE (millions of Mexican pesos)

2019	\$8,018
2020	\$7,834
2021	\$7,492



## MIXED CLASSROOMS IN A PRIVATE EDUCATIONAL INSTITUTION IN NORTHERN MEXICO

Without a doubt the COVID-19 pandemic has directly impacted educational systems at all levels in Mexico and around the world, affecting students, teachers, families, and especially schools.

Due to the need to provide continuity to schooling, avoid desertion and, at the same time, comply with security protocols established by the authorities, a private educational institution located in the north of Mexico adopted a hybrid study scheme in which only 50% of students could be in the classroom physically while the other 50% must remain remotely.

To create a similar learning and teaching experience in the remote scheme, together with Alestra, this institution remodeled its classrooms and introduced technological equipment that by means of a system of high-resolution cameras, professional microphones, high-definition televisions, and collaborative tools, facilitates the teaching of classes in both schemes.

Throughout 202, we equipped 104 undergraduate and high school classrooms with state-of-the-art technology.





## TELECOMMUNICATION SERVICES AT THE WTC INTERNATIONAL EXHIBITION AND CONVENTION CENTER OF MEXICO CITY



In Mexico City we are the telecommunications service provider for events, exhibitions, conventions, concerts, and private events at the World Trade Center (WTC) and its respective venues.

We deliver a high-density Wi-Fi wireless connectivity solution with the ability to provide a platform that transforms the end-user experience, through live and on-demand video services, dynamic location-based services, support for Internet of Things (IoT) devices, and an innovative mobile platform that ensures a differentiated, secure, available, and reliable communication experience.

One of our responsibilities is to guarantee response times for administrative and technical requirements of 4 to 6 hours once the report or request is created, for which we have permanent staff to ensure this level of service.

## Frecuencia Alestra

In 2020 *Frecuencia Alestra* was part of Alestra eFest, the digital edition of our technology fair. Thanks to its success, this experience became the company's new showcase to present our digital transformation proposal virtually, reaching every corner of the country and becoming the most relevant national tour of the ICT industry in Mexico.

In this year's edition of *Frecuencia Alestra*, we brought together more than 2,300 technology decision makers from all over Mexico in a 100% digital format to learn first-hand about new technology solutions for the business and government markets.

During the event, we offered conferences, mock-ups and live demonstrations of more than 40 solutions for digital transformation presented by ten of the world's leading technology manufacturers: Avaya, Call IT Once, Cisco, Dell Technologies, Fortinet, Hewlett Packard Enterprise, Nutanix, Palo Alto Networks, Poly and Tenable, with the aim of introducing a variety of useful solutions for organizations to operate more efficiently in this new normal.



## Sperto Centers

Technology is constantly evolving and so are we, which is why for more than a decade we have facilitated interaction between Alestra customers and our technology providers through Alestra Experience Centers (Sperto Centers). These collaborative spaces aim to identify changes in the technological environment and the needs of customers in a timely manner so Alestra can respond with customized high-tech solutions.

We currently have four Sperto Centers in the cities of Monterrey, Queretaro, Mexico City, and Cancun.

As a result of the pandemic, in 2021, Sperto Centers continued to work in a hybrid format, 25% face-to-face and the rest through Sperto Virtual with 627 sessions. Overall, we welcomed more than 800 companies and 1,300 decision-makers.

Sperto Virtual has enabled us to continue to deliver on our commitment to bring our technology solutions experts together with customers to guide them towards digital transformation.

In addition, eight webinars on technology trends, 10 "tech days" focused on individual customers and more than 40 demos with partners were organized.



## GOVERNMENT MARKET

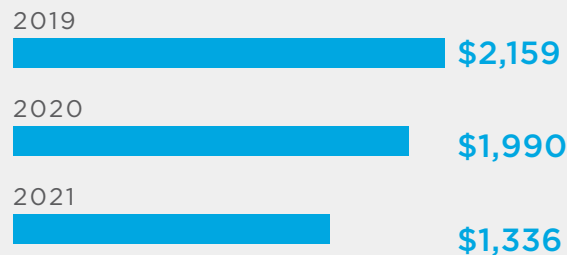
One of our commitments to Mexico is contributing and cooperating to provide the public sector with the best technology available to meet the needs of the Mexican people. To achieve this, we designed a number of ICT solutions for state and municipal governments. Despite facing challenges arising from government transitions in 2021, we focused on rethinking our services and offering solutions to provide a better service for the citizens.



In the Federal sector we continued with the strategy of advanced connectivity services, cybersecurity and managed services, while in the State and Municipal sectors we promoted a portfolio of cloud-based products, so that the adoption of applications and infrastructure would be more agile in government processes of citizen attention, such as single window, public prosecutor offices, mobility in public transportation, storage and processing, and digital education, among others.

We also developed relevant projects in the federal sector during 2021 that allowed us to renew 800 million contracts focused on providing comprehensive solutions such as data centers and cybersecurity, among others.

### ALESTRA GOVERNMENT MARKET REVENUE (millions of Mexican pesos)



## SINGLE WINDOW FOR MEXICAN FOREIGN TRADE (VUCEM, ACRONYM IN SPANISH)

The single window is a comprehensive service platform for performing all import, export, and transit procedures for goods throughout the country through a single point of entry, making internal processes more efficient and improving the experience.

Single Window has been in effect since May 2016. Since then, information flows between Mexican Foreign Trade, 11 Mexican public sector institutions and private entities in the maritime, air, land, and railroad sectors have been streamlined, simplifying and encouraging electronic foreign trade operations.

In addition, the exchange of foreign trade information at the national and international level has been facilitated and promoted, such as the case of interoperability with Customs and Border Protection (CBP), the entity responsible for customs in the United States, and with the windows of Pacific Alliance countries (Mexico, Chile and Colombia). This has helped move Mexico into 2nd place in terms of Foreign Trade Single Windows (VUCEs, acronym in Spanish) in Latin America and 8th place worldwide according to the OECD.

## URBAN MOBILITY FOR THE GOVERNMENT OF YUCATÁN

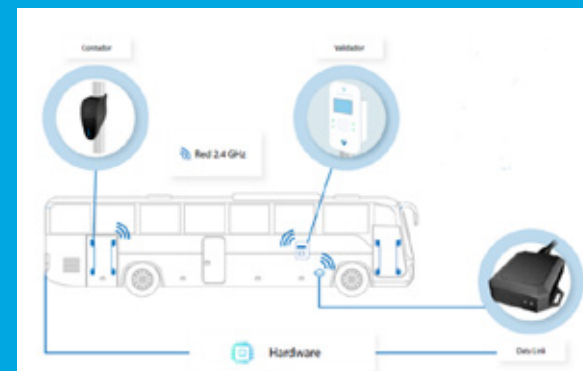
Through the Internet of Things (IoT), we developed an urban mobility project in Merida, Yucatan using technology that makes it possible to automate the frequency of public transport and other data such as the number of passengers, kilometers traveled, and video surveillance.

The objective was to implement a comprehensive system for licensed public transportation involving 1,350 buses in the city of Mérida, which would allow the transformation of urban mobility in accordance with government policies, maximization of carrier profits, and improvements to user experiences.

We developed solutions focused on meeting the different needs of the city government, the licensee, and the user. We first conducted urban mobility studies to design and plan the city's growth using Big Data & Analytics.

In terms of infrastructure, we automated the carrier's operation by assigning routes and shifts, and by installing systems for real-time monitoring of all units, passenger counting, and other controls to prevent ticket leakage and operator theft.

For the user we designed a mobile application that permits identification of the nearest routes and real-time location, thereby eliminating waiting times. In addition, we created a credentialing system that facilitates access and user payment once on the bus.



## COMPREHENSIVE MONITORING AND SECURITY IN MEXICO CITY'S PUBLIC TRANSPORTATION SYSTEM

To offer public transportation users in Mexico City a safer experience, we created a digital platform that generates indicators, alerts, and information management through GPS, panic buttons, video cameras, and a real-time passenger counter supervised from a monitoring center to generate dashboards for data analysis.

This project seeks to improve not only passenger safety in public transportation, but also road safety by monitoring driving, driver performance, and speed limits, generating information on the most dangerous routes in the city. Public safety also benefits due to the recording of what happens in vehicles, operator reports through a panic button and ge positioning data for reported incidents.

One of the possibilities of this solution is that it can be scalable to other routes since it has interoperable and open technology. The goal is to equip up to 16,000 units during the first stage.

AS A RESULT OF THE  
PANDEMIC AND THE  
FACT THAT MANY  
SERVICE PROCESSES  
ARE NOW VIRTUAL,  
**TODAY WE ARE EVEN  
CLOSER TO OUR  
CUSTOMERS**

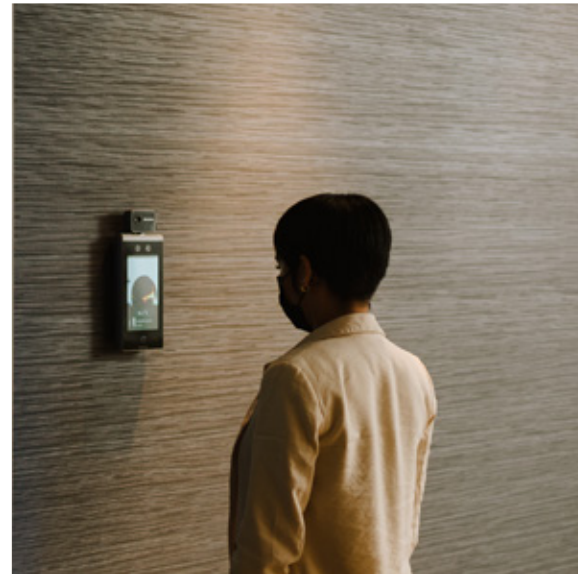
## **32** INITIATIVES

TO IMPROVE  
CUSTOMER  
EXPERIENCE

## C U S T O M E R E X P E R I E N C E

Regardless of the customer, at Axtel we have the necessary infrastructure to ensure that service, response times, and experience always meet expectations.

To serve both our internal and external customers we rely on technology, and this has allowed us to streamline and make many processes more efficient. We created **Vision 360°**, a portal where we consolidate the customer's history of previous interactions and billing to provide our employees with the tools they need to have up-to-date information and therefore offer the best real-time service.



We also have **Alestra One Touch** which provides customers with a self-service portal indicating the status of events and requirements, as well as information on account statements, invoices, payment plug-ins, active services, orders placed and in progress. During the year, we made improvements to technical requirement forms and conducted satisfaction surveys for the portal as well as for interactions with the portal. For 2022 we will continue to enable further functionalities to serve customers.

With the same goal, we implemented 32 initiatives focused on improving the customer experience at all stages of the value chain of our solutions and services by automating processes and tools, ensuring greater coordination and agility of work teams, offering training and high specialization programs for employees, as well as more proactive and closer communication with customers.

**CURRENTLY, MORE THAN 5,000 CUSTOMERS ARE REGISTERED AND INTERACT WITH ALESTRA ONE TOUCH**

## CUSTOMER PROXIMITY: PROACTIVE AND TIMELY DETECTION OF NEEDS

Despite the adverse panorama due to the pandemic in 2021, we decided to get closer to customers by implementing an initiative supported by digital interaction channels and focused on proactive and consultative service to promptly identify any failure, incident, or dissatisfaction with Axtel's services.

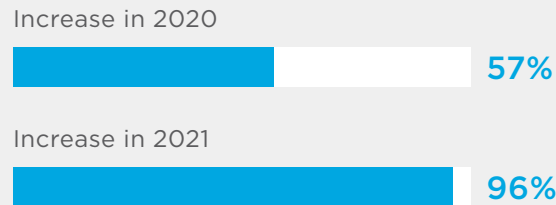
Together with the customer service agent and customers, we drew up a schedule of visits including at least three or four proactive visits per year depending on the customer's segment.

Following this strategy, we have considerably increased the number of visits per customer segment, consolidating a close and long-term relationship differentiated by the quality of our service.



### AVERAGE INCREASE IN THE NUMBER OF CUSTOMER VISITS

We also increased customer satisfaction targets from 90% to 95%, achieving excellent results. This was the product of strengthening the competencies of executives in agility, lean six sigma and management 3.0, providing them with work tools that facilitate management and change the figure of Boss-Supervisor to that of Servant Leader.



### INITIATIVES TO IMPROVE CUSTOMER EXPERIENCE

We created the Discovering Our Potential (DOP) Dev Team focused on developing the competencies of customer service agents.

We involved Servant Leaders in initiatives developed by the Dev Team to jointly define actions to reposition Service executives, developing and strengthening their competencies.

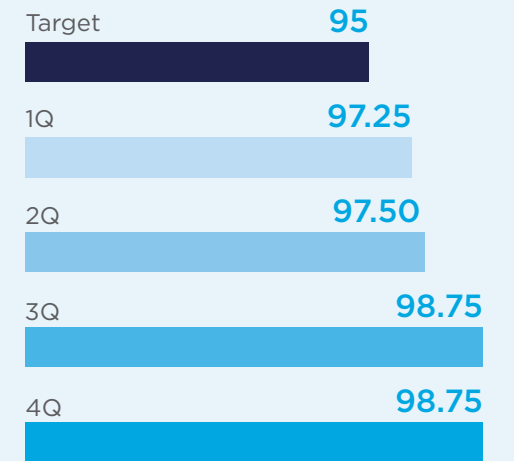
We adopted agile frameworks and the SCRUM methodology for the release of improvement initiatives by sprints.

We implemented a plan of proactive scheduled visits.

We built a model to analyze activities and actions for which we contribute real value, eliminating waste and generating a workload balance.

We analyzed the results of customer surveys when closing their requirements, where the focus is on continuous improvement.

### CUSTOMER SATISFACTION



WE ACHIEVED SATISFACTION LEVELS OF **99% FOR ALL TRANSACTIONS**



## REDUCTION AND CONTROL OF OVERDUE ACCOUNTS RECEIVABLE DUE TO ADMINISTRATIVE ISSUES

To improve the customer experience from another perspective, we set ourselves certain goals:

- Reducing and maintaining a healthy overdue portfolio due to unresolved administrative requirements.
- Maintaining a constant flow of payments.
- Releasing invoices with agile and automatic processes.
- Promoting timely collection in due form.

To achieve this, we organized weekly meetings involving the collections, commercial, and customer service teams, working collaboratively to correct administrative errors that could lead to problems with overdue accounts, so that the collection department could manage payments on time.

The main initiatives were the definition of metrics including: delinquencies by time periods, pending purchase orders, open administrative cases, pending agreements with new rates and customers with payment agreements.

Throughout the year, we reviewed these metrics on a weekly basis to provide a detailed follow-up for each specific case, held biweekly meetings with the areas involved, and implemented a quality review of proformas, thus ensuring the correct billing of new, cancelled and changed services.

Collaborative work and the creation of specific indicators to measure initiative results were essential keys to achieving the objectives.

To understand customer expectations and their level of satisfaction, especially in response to these improvement initiatives, we continue to apply Net Promoter Score (NPS) surveys that allow us to set a satisfaction target per segment and monitor the results.

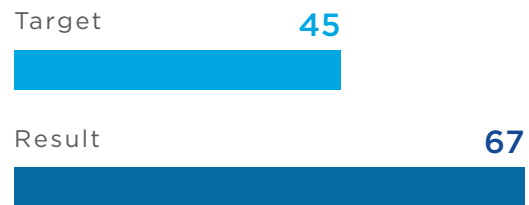
### REDUCTION OF DELINQUENCIES DUE TO UNRESOLVED ADMINISTRATIVE ISSUES



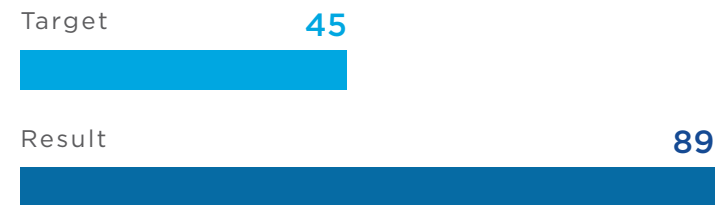


## NPS 2021 TARGETS AND RESULTS

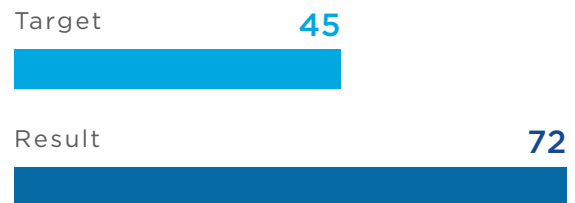
### CORPORATE MARKET



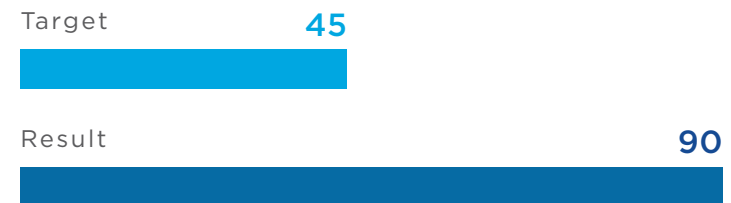
### FEDERAL GOVERNMENT MARKET



### MEDIUM-SIZED COMPANY MARKET



### STATE GOVERNMENT MARKET



AS A RESULT OF THESE INITIATIVES **WE EXCEEDED OUR NPS TARGETS FOR 2021 BY AN AVERAGE OF 35 POINTS**



**2%**

OF OUR SUPPLIERS  
ARE CRITICAL TO  
OUR OPERATION

THIS YEAR WE  
COMMUNICATED OUR  
ANTI-CORRUPTION  
POLICIES AND  
PROCEDURES TO **100%**  
**OF OUR SUPPLIERS IN  
ALL REGIONS WHERE  
WE HAVE PRESENCE**

## S U P P L Y C H A I N

At Axtel we know the quality of the solutions we provide has a lot to do with the decisions we make concerning our supply chain, so as part of our commitment to sustainability, we seek to minimize the social and environmental impacts of our suppliers based on policies, requirements, and evaluations, while also taking into account the different requirements of our stakeholders concerning environmental, social, and governance (ESG) issues.

For this reason, we ask our suppliers to adhere to Axtel's Supplier Selection Policy and Supplier Code of Ethics while also complying with Mexican Official Standards, municipal, state, and federal regulations and laws, as well as the provisions of official agencies such as Civil Protection, the Ministry of Labor, and the International Labor Organization (ILO), among others. In this way we encourage our supply chain to be aligned with our standards of integrity and sustainability, as well as with guidelines that regulate the actions of companies in the areas of safety, hygiene, and occupational health.

**SUPPLIERS TO WHOM WE COMMUNICATED ANTI-CORRUPTION POLICIES AND PROCEDURES BY REGION**

	Northern Region		Western Region		Central Region		Southern Region	
	SME	Large	SME	Large	SME	Large	SME	Large
Domestic	60	161	10	33	40	237	7	15
Foreign	-	44	-	-	-	-	-	-
<b>Total</b>	<b>60</b>	<b>205</b>	<b>10</b>	<b>33</b>	<b>40</b>	<b>237</b>	<b>7</b>	<b>15</b>

**Note.** We consider as SME companies with between 1 and 30 employees or which generate annual sales of over 4 million and up to 100 million pesos. Large companies are those with more than 30 employees and sales over 100 million pesos.

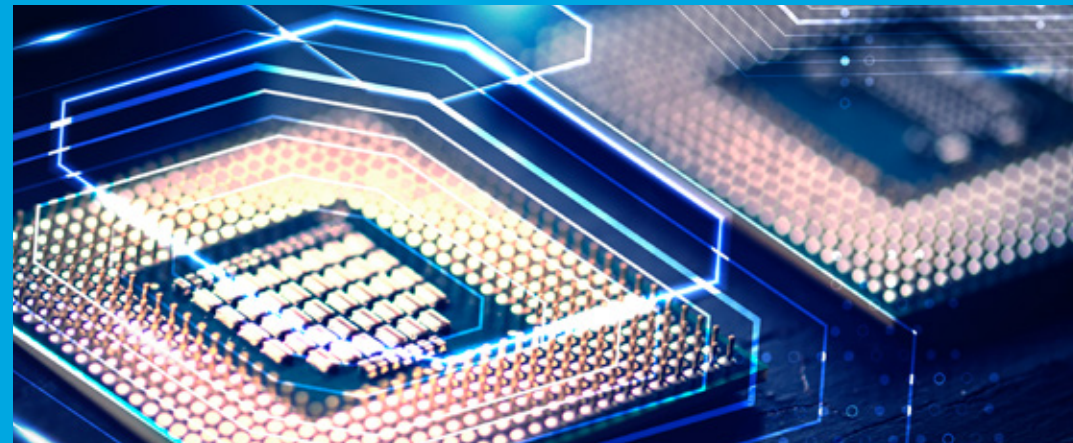
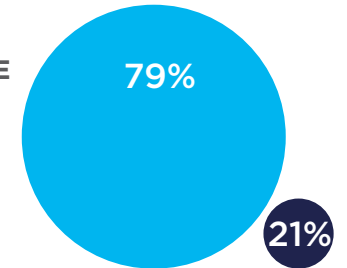
We assessed our suppliers to ensure compliance with our standards. In 2021 we assessed six suppliers on environmental issues and 65 new suppliers on social issues. We identified no real and/or potential negative environmental or social impacts with any of them.

In addition, we have the ALFA Transparency Mailbox, which is available for sending complaints or comments about their concerns or any other issues identified during business transactions.



**PROPORTION OF EXPENDITURE ALLOCATED TO SUPPLIERS ACCORDING TO THEIR ORIGIN**

■ Domestic ■ Foreign



**THIS YEAR WE ALLOCATED 30% OF TOTAL PURCHASES TO CRITICAL SUPPLIERS**

OUR SECURITY OPERATIONS CENTER AND  
MANAGED SECURITY SERVICES ARE ISO 31000  
CERTIFIED IN RISK MANAGEMENT, WHICH  
ENABLES US TO **EFFECTIVELY IDENTIFY AND  
MANAGE RISKS FOR BUSINESS DECISION  
MAKING IN A TIMELY MANNER**



## D A T A S E C U R I T Y

We have an **Information Security Management System** governed by policies and objectives aligned with our business strategy. This model is defined in our Information Security Public Posture and is headed by General Management through the Information Security Committee.

**0 COMPLAINTS**

REGARDING  
CUSTOMER DATA  
PRIVACY  
VIOLATIONS

## INFORMATION SECURITY FRAMEWORK AND PROCESSES

- Cybersecurity culture:** employee awareness and training
- Cyber resilience:** risk management and business continuity
- Cyber defense:** vulnerability, identity and access management, technical compliance
- Incident response**
- Safety by design**
- Reviews:** monitoring of indicators, audits, certifications, pentest
- Continuous improvement**



We adhered to the best practices defined in international standards such as ISO 27001, ISO 22301, ISO 31000, The American Institute of Certified Public Accountants (AICPA), Service Organization Controls (SOC) for Cybersecurity, National Institute of Standards and Technology (NIST), FIRST, PCI-DSS and SSAE-18.

In addition, we conduct internal and third-party reviews, audits, vulnerabilities, penetration tests, drills, as well as working meetings with the stakeholders of each business process to identify the most relevant risks. We have therefore defined plans for their timely remediation.

## CUSTOMER DATA PRIVACY

Our Privacy Notice<sup>1</sup> addresses Axtel's commitment to the protection of personal data and privacy in communications, one of the greatest challenges for our industry.

We ensure compliance with current regulations in Mexico and reaffirm our commitment to the right to privacy and data protection of our customers, suppliers and employees. For this reason, we take several administrative, physical, and technical security measures to help us prevent losses, damage, alterations, and leaks.

The personal data we use comes directly from the holder and/or through physical, electronic or face-to-face means, as well as from authorized public sources, and we treat it according to the type of holder. We do not transfer sensitive personal, property, or financial data for secondary purposes unless the holder gives their consent.

In 2021, we received no complaints regarding violations of customer privacy, or about data breaches or data related to personally identifiable information (PII<sup>2</sup>). We did not suffer any monetary losses as a result of legal proceedings associated with user privacy.

<sup>1</sup> Visit our Privacy Notice at: <https://www.axtelcorp.mx/aviso-de-privacidad/>

<sup>2</sup> PII. Personal Identifiable Information.



ONE OF OUR TOP PRIORITIES IS TO ENSURE THAT OUR SERVICES ARE RELIABLE AND THAT SOLUTIONS FOR OUR CUSTOMERS SUFFER MINIMUM INTERMITTENCY DESPITE THESE ADVERSITIES



## B U S I N E S S C O N T I N U I T Y

Some of the risks associated with technological disruptions that we face on a daily basis are: weather events, natural disasters, cyber-attacks, and technical failures.

Regarding network issues, we are exposed to risks and opportunities such as net neutrality, paid peering and zero rating.

**13 %**

OF REDUCTION IN INCIDENTS WITH AN IMPACT ON THE SERVICE



To guarantee network reliability we have a **Business Continuity Management System** which indicates the procedures required to recover our operation in critical moments by means of strategies, plans and drills that minimize the risk of impact for the company and its customers.

**We are ISO 22301 certified to manage business continuity.**

Our operation is governed by a procedural scheme based on international standards such as ITIL, ISO 9001 and ISO 27001. We also have over 500 certifications for our employees, which affords us a deeper understanding of the technologies that make up the network and greater agility in overcoming challenges.

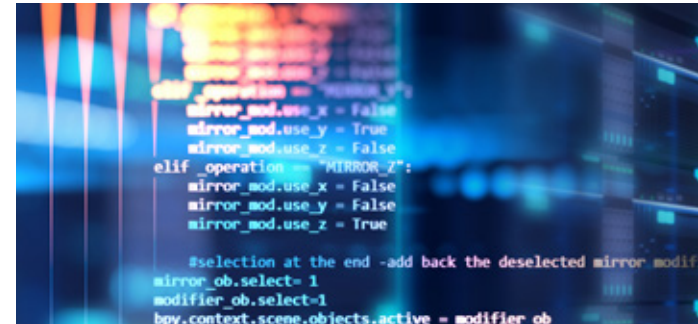


## AXTEL'S INFRASTRUCTURE SUPPORTS THE **CLOUD-BASED SOLUTIONS** WE OFFER TO OUR CUSTOMERS

We set KPIs for the different factors involved in customer support processes, including customer experience, incident response time, network, and service availability, among others. We also implement control mechanisms to ensure we are prepared for the hurricane season and power failures in the public grid.

This year we recorded one performance issue and seven outages in software and IT services provided to customers, with an average duration of 3.3 hours and a total related downtime of 0.98 days.

We rely on technological tools that have helped us automate processes, making them more efficient and responding to the detection of network incidents before they occur. This is why we are immersed in technological practices that improve customer experiences and allow us to be more cost efficient.



By using a Big Data and machine learning platform, which registers all data generated by the different network platforms, rules are created to correlate variables that warn us of changes in trends that could lead to a possible failure. Through the application of certain rules, proactive incident generation is automated, and these incidents are analyzed and addressed by Network Operations Center groups to prevent them impacting services.

As a result of these efforts, proactive incidents increased 34% compared to 2020, while service impact incidents decreased 13% compared to the previous year.

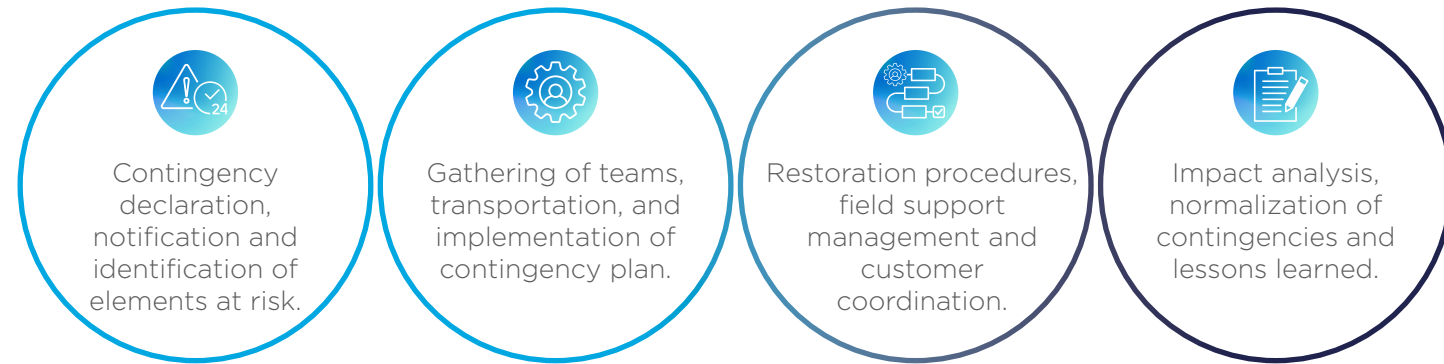


## CLIMATE CHANGE RELATED INCIDENTS

Aware that climate change is a reality, since 2020 we have implemented a process to address weather incidents that may impact our operations and consequently the continuity of our services.

To implement the process, we have a committee made up of different areas of the organization that is also responsible for monitoring the evolution of weather events so we can react in a timely manner in the case of critical incidents.

## CRITICAL INCIDENT LIFE CYCLE



01 Alert phase	02 Transition phase	03 Recovery phase	04 Standardization phase
Network Operation Center	Field operation	Network Operation Center + OpField	Network Operation Management
Attention and follow-up protocol for contingencies (earthquakes, hurricanes, power failures, extreme weather)	Contracts with specialized suppliers to address outages	Continuous communication scheme	
	Minimum fuel level (70%) that guarantees 24-hour autonomy	24x7 monitoring @ Site telemetry (strength, temperature, humidity)	
	Fuel suppliers		
	Direct contacts with CFE for contingency follow-ups		

## USING THIS PROCESS, WE HAVE MAINTAINED AN OPTIMAL DAMAGE MARGIN DURING CRITICAL WEATHER EVENTS



Due to the effects of climate change, the number of weather events has increased in recent years. In 2021 there were six events that impacted cities where we have infrastructure:



**February.** Frost in the north of the country limited the energy supply at 187 network sites. During this event there was no impact on our services.



**April.** A storm in the city of Nuevo Laredo resulted in the collapse of a tower that impacted the last-mile access of 65 customers. However, our backbone infrastructure was not impacted.



**August.** Hurricane Grace (CAT 4) hit the states of Quintana Roo, Yucatan, Campeche, and Veracruz, affecting the access infrastructure of more than 80 customers. This damage was mitigated and services were recovered in record time.



**August.** Hurricane Nora (CAT 1) hit the Pacific coast with minimal impact on last-mile access.



**September.** Tropical Storm OLAF affected few last-mile accesses on the Baja California Peninsula.



**October.** Hurricane Pamela (CAT 1) made landfall in the state of Sinaloa, resulting in last-mile access damage and outages.

In addition, this year we performed 236,000 preventive maintenance routines throughout the network to maintain availability and guarantee operations during critical events caused by climate change.



WE PROMOTE  
INNOVATION FROM  
INSIDE AXTEL AND ALSO  
FROM OUTSIDE, BECAUSE  
**WE ARE CONVINCED  
THAT HAVING DIVERSE  
IDEAS HELPS US DESIGN  
DIFFERENTIATED  
SOLUTIONS FOR OUR  
CLIENTS**



## I N N O V A T I O N

Driven by our passion for digital innovation, this year customer needs remained our foundation for designing solutions that not only satisfy demands but also improve their experience and allow us to provide services more efficiently.

**37 %**

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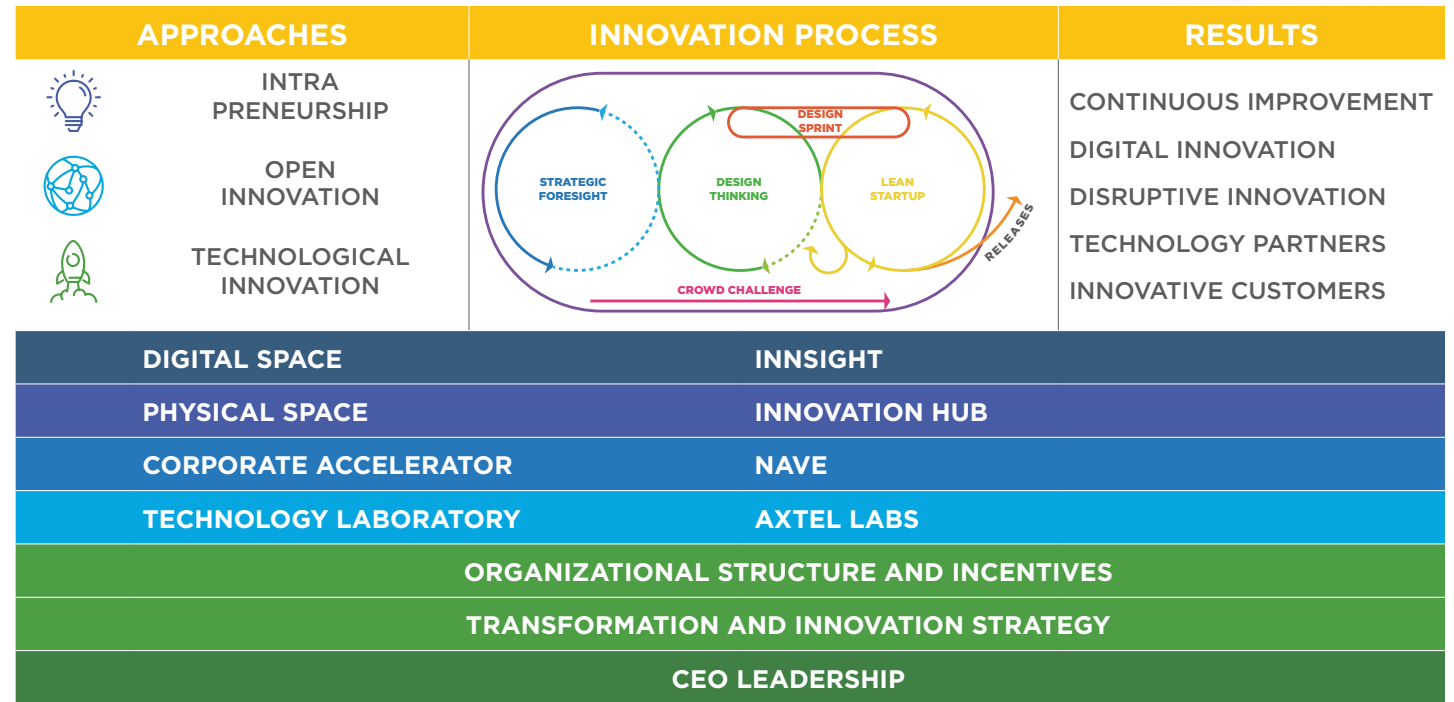
OF OUR EMPLOYEES  
PARTICIPATED IN  
INNSIGHT

## AXTEL INNOVATION MODEL

The Axtel Innovation Model has allowed us to generate value for customers and employees.

### Innsight

Innsight is a digital platform for innovation and continuous improvement where employees propose ideas and then comment, enrich, and assess them to receive resources for their implementation. In 2021, Innsight achieved 37% employee engagement with initiatives that contributed to the company’s digitalization and automation. 73 ideas were implemented, of which 56 were for digitalization. Expected profits for the year totaled Ps. 226 million in operating expenses and CAPEX.



### Innovation Hub

Innovation Hub is a physical space where creativity and ideas are structured to develop solutions. It consists of two centers, Business Innovation and Technology Innovation, and is located on the Innovation and Technology Campus (CIT). During the pandemic we continued to implement health and safe distance measures, relying on digital tools to conduct remote and hybrid sessions.



The member companies of the 5th NAVE generation received:

**33** hours

OF MENTORING

**42** sessions

WITH ALESTRA'S  
CEOS

**31** customer

PRESENTATIONS

**6** pilot

TESTS

## NAVE

NAVE was born five years ago with the aim of encouraging innovation and developing disruptive digital innovation projects. This program has been used to promote scaleups and B2B technology startups, and we have generated business partnerships with different proposals that help us to increase customer productivity through digitalization.

The 5th NAVE generation was a 100% virtual program including six scaleups from Canada, the United States, Chile, and Mexico, two of which graduated, and we therefore created partnerships to launch their products as part of Alestra's 2022 portfolio.

The graduate companies are:

- Omnix, whose business is logistics processes and supply chain software.
- 1Kosmos, whose business is the recognition of people's identities in a cybersecurity environment.



The NAVE Accelerator has existed for five years, during which time we have...

- Accelerated 33 scaleups and 21 startups from Mexico, Chile, Argentina, the United States, Canada, and Malaysia.
- Connected over 500 employees and executives with startups and held workshops with customers to incentivize a culture of innovation.
- Launched seven products from NAVE through Alestra's portfolio.
- Connected over 100 key Alestra customers with startups.
- Developed over 24 pilot tests with Alestra customers and also within the company.



## Axtel Labs

Axtel Labs is a research and development laboratory where we explore and experiment with emerging technologies such as artificial intelligence, Big Data, Internet of Things and blockchain, among others, to create digital products and services we can launch on the market. In 2021, Axtel Labs worked on the development of three new projects:

### 1. ARPI

Value proposal: to help manufacturing companies identify defects in their products automatically, quickly, and accurately using computer vision and artificial intelligence technology.

### 1. Unbreakable Internet

Value proposal: enables 24/7 connectivity for businesses that depend on the Internet for their operations, supporting them with a solution that intelligently combines several providers and guarantees vital business operations at any time and without interruption.

### 1. CODEX

Value proposal: Document data extraction application programming interface (API) that correlates fields with data, transforming unstructured data into structured data with a very high level of confidence.

In addition to the actions involving the Axtel innovation model, we use innovation to become more flexible and agile in our internal processes and customer service. In 2021 we implemented the AGILE culture for infrastructure and operations management. This means our projects are now subject to a methodology consisting of planning, design, development, testing, repetition, and feedback until reaching the final launch of a process or solution.

To achieve this we...

- Created over 20 teams with Kanban practices.
- Trained 230 people in agility practices.
- Trained and certified eight coaches in agile practices, Kanban Management Professional and Management 3.0.
- Trained executive officers and managers in Kanban for Leaders.
- Provided over 700 hours of team mentoring to implement the agility strategy.

AS A RESULT, THE AREA RESPONSIBLE FOR ATTENTION TO FAILURES **REDUCED INCIDENT ATTENTION TIMES BY ALMOST 70%**

## AXTEL DIGITAL

The biggest challenge we initially faced due to the health emergency was to adjust Axtel's operations to a fully remote system. This change was made possible thanks to the **Axtel Digital** initiative which helped us transition to a hybrid work culture, rethinking physical and digital spaces and processes to comply with health regulations and work safely. This year we focused on increasing the efficiency and agility of operations without sacrificing employee and associate safety.



Redesigning our processes has been an essential part of our new business model. We reviewed all functions of the pilot model implemented at the beginning of the pandemic in detail and analyzed feedback from our employees to make changes and increase productivity through specialized training and digital tools.

We have made adjustments to employee training to become a more intelligent, analytical, and data-driven organization. We constantly update our understanding of cutting-edge technological issues, such as automation and data mining in new digital trends.

We focus on using specific strategies to achieve digital transformation and perform specific projects to automate a large part of our operation. Thanks to tools such as Robot Process Automation (RPA) we can improve the customer experience while keeping costs to a minimum, obtaining excellent results and maintaining the budget.



WE HAVE THE MOST  
COMPLETE **NETWORK OF**  
**GLOBAL TECHNOLOGY**  
PARTNERS IN THE  
MARKET

## CERTIFICATIONS

We have technical certifications from Amazon, Assure, ISC, ISO, Oracle, Cisco, Palo Alto, Checkpoint, Fortinet, and Avaya, among others, which represent our commitment to the issues that concern us as an industry.

### CERTIFICATIONS

- ISO 9001:2015
- ISO 20000-1:2011
- ISO 14001:2015
- ISO 27001:2013
- ISO 22301:2012
- ISO 37001:2016
- ISO 31000:2018

## ISO 31000

WE OBTAINED THIS  
CERTIFICATION FOR  
RISK MANAGEMENT



## BEST PRACTICES

- ICREA level 3, 4 and 5
- CEEDA Silver and Bronze
- SSAE 18
- PCI DSS
- FIRST
- CMMI SVC/3
- MGCIC

## PARTNER CERTIFICATIONS

- Aspect, Channel Sales Agreement
- Audio Codes Gold Partner
- Avaya Diamond Partner
- AWS, Advance Consulting Partner
- AWS, Select Direct Connect Service
- Checkpoint, Three Stars Partner
- CISCO, Gold Integrator
- CISCO, Gold Provider
  - » CISCO, Advanced Collaboration Architecture Specialization
  - » CISCO, Advanced Data Center Architecture Specialization
  - » CISCO, Advanced Enterprise Networks Architecture Specialization
  - » CISCO, Advanced Security Architecture Specialization
  - » CISCO, Hyperflex Specialization
- Dell Technologies, Platinum Partner
- Equinix, Platinum Partner
- Fortinet, MSSP Expert Partner
- HPE, Solution Provider Gold Partner
- Huawei Enterprise Partner VAP
- Huawei, Four Stars Partner
- IBM, Service Provider
- Microsoft, Gold Cloud Platform
- Microsoft, Gold Cloud Productivity
- Microsoft, Gold Partner
- Microsoft, Hosting Partner
- Nutanix, Authorized Partner
- Oracle, OPN Member, License & Hardware / Cloud Solution Provider
- Palo Alto Networks, MSSP Platinum Innovator Partner
- Poly, Platinum Partner
- SAP MCaaS Partner
- Broadcom, Premier Partner
- Veeam Pro Partner Silver Reseller
- Veritas Registered Partner
- VMWare Cloud con AWS Solution Competency
- VMWare Cloud Verified



## 2021 PARTNER RECOGNITIONS



2021 Fabric Partner  
of the Year Latam

2021 #1 Sales  
Partner



2021 Service Provider  
Partner of the Year

2021 Marketing  
Partner of the Year

2021 Social Impact  
Partner of the Year



2021 IP Outstanding  
Partner of the Year



2021 Poly Platinum  
Partner Recognition

2021 Best Financial  
Sector Project



2021 VMware Cloud  
on AWS Solution  
Competency



2021 Service Provider  
of the Year



2021 AWS  
Certificación Direct  
Connect Service

2021 AWS Advanced  
Consulting Partner

# OUR ESG COMMITMENT

# 02

**44**  
SUSTAINABILITY

**52**  
ENVIRONMENTAL COMMITMENT

**61**  
SOCIAL COMMITMENT

**89**  
CORPORATE GOVERNANCE

**90**  
BUSINESS ETHICS

**96**  
FINANCIAL OUTLOOK

IN 2021 WE IMPROVED OUR RATING IN S&P'S CORPORATE SUSTAINABILITY ASSESSMENT, REACHING THE 71ST PERCENTILE IN THE GLOBAL TELECOMMUNICATIONS INDUSTRY\*



\* As of December 2021.

EVERY DAY WE WORK TO CREATE INNOVATIVE,  
SPECIFIC, AND APPROPRIATE SOLUTIONS  
THAT **PROVIDE CUSTOMERS WITH ACCESS  
TO INFORMATION AND COMMUNICATION  
TECHNOLOGIES THAT HELP IMPROVE THE  
LIVING CONDITIONS** OF PRESENT AND FUTURE  
GENERATIONS IN A SUSTAINABLE WAY

Our commitment to environmental, social, and corporate governance (ESG) issues is not a recent decision. Since our foundation, as a company we have demonstrated that the responsible management of the business, our people, and resources is inherent to our philosophy, values, and the way we operate. However, we are convinced that it is increasingly relevant to report Axtel's performance on these issues since they are aligned with the most important sustainability methodologies, standards, and initiatives for our industry.

## S U S T A I N A B I L I T Y

The Sustainability department, led by Human Capital Executive Management, is governed in adherence to the five areas of the **Axtel Sustainability Model**, where each area of the company contributes with the most relevant activities, initiatives, and results.

This model is in line with Axtel's **Sustainability Strategy**, designed to make our vision of contributing to a more sustainable future a reality and to effectively manage the risks and opportunities we face as an organization through integrated corporate governance processes, fair labor and social practices, as well as responsible use of environmental resources.

AXTEL  
SUSTAINABILITY MODEL



Environmental concern



Employee wellbeing



Social outreach



Operational efficiency



Innovation and digital culture

MISSION, VISION AND VALUES



**Mission**

Enable organizations to be more productive through digitalization.



**Vision**

Be the best option in the digital experience through innovation to create value.



**Values**

Colaboration... *Our strenght*  
Respect... *Our commitment*  
Customer focus... *Our differentiator*  
Innovation... *Our passion*  
Integrity... *Our pillar*

## STAKEHOLDERS

Our stakeholders are those we maintain frequent and, in most cases, bidirectional relationships with.

We have channels that help us understand the principal concerns and needs of stakeholders in a timely manner, address risks and opportunities together on issues that could be relevant to them, and which at the same time generate value for their relationship with Axtel. All of these are in addition to lobbying actions to influence public policies related to our sector.

In this way we seek to create a meaningful commitment with each of them while building and maintaining solid, long-term relationships.

Stakeholders	Our actions
Employees	We offer customized training programs based on professional development plans and implement flexible work hours and telework programs. We develop guidelines to generate work-family balance under NOM-35 and the new normal. We continue implementation of the Comprehensive Welfare program, which includes nutrition and health activities.
Customers	We prepare our network to be ready for major technological evolution, continue to develop a portfolio of services to support our customers in reactivating in the new normal, and continue to enable solutions to support hybrid work models.
Suppliers	We promote agile and timely interaction, supported by the digitalization tools we have implemented and the use of RPA (Robot Process Automation) to guarantee the necessary inputs to face operational requirements in the context of the pandemic.
Government and regulatory agencies	We carry out the registration in the list of suppliers of about 80% of the states of the country, for which we are authorized to participate in state tenders; we are also authorized to participate in federal tenders due to the fact that we are registered in the framework of consolidated purchases in more than 10 framework contracts of the Federal Government; and we register with the Ministry of Public Administration to obtain the Business Integrity badge.
Communities	We continue to help employees with medical, hospital, and funeral expenses due to COVID-19 through the internal campaign 1 PE\$O EQUALS 2. We promoted the vaccination of our employees and their families against COVID and influenza; we organized virtual celebrations to commemorate anniversaries and promoted the integration of employees and their families; and also donated toys to children with cancer.
Shareholders and investors	We improved our rating in the S&P Corporate Sustainability Assessment, reaching the 71st percentile in the global telecommunications industry, and participated in the CDP in the Climate Change and Suppliers modules.

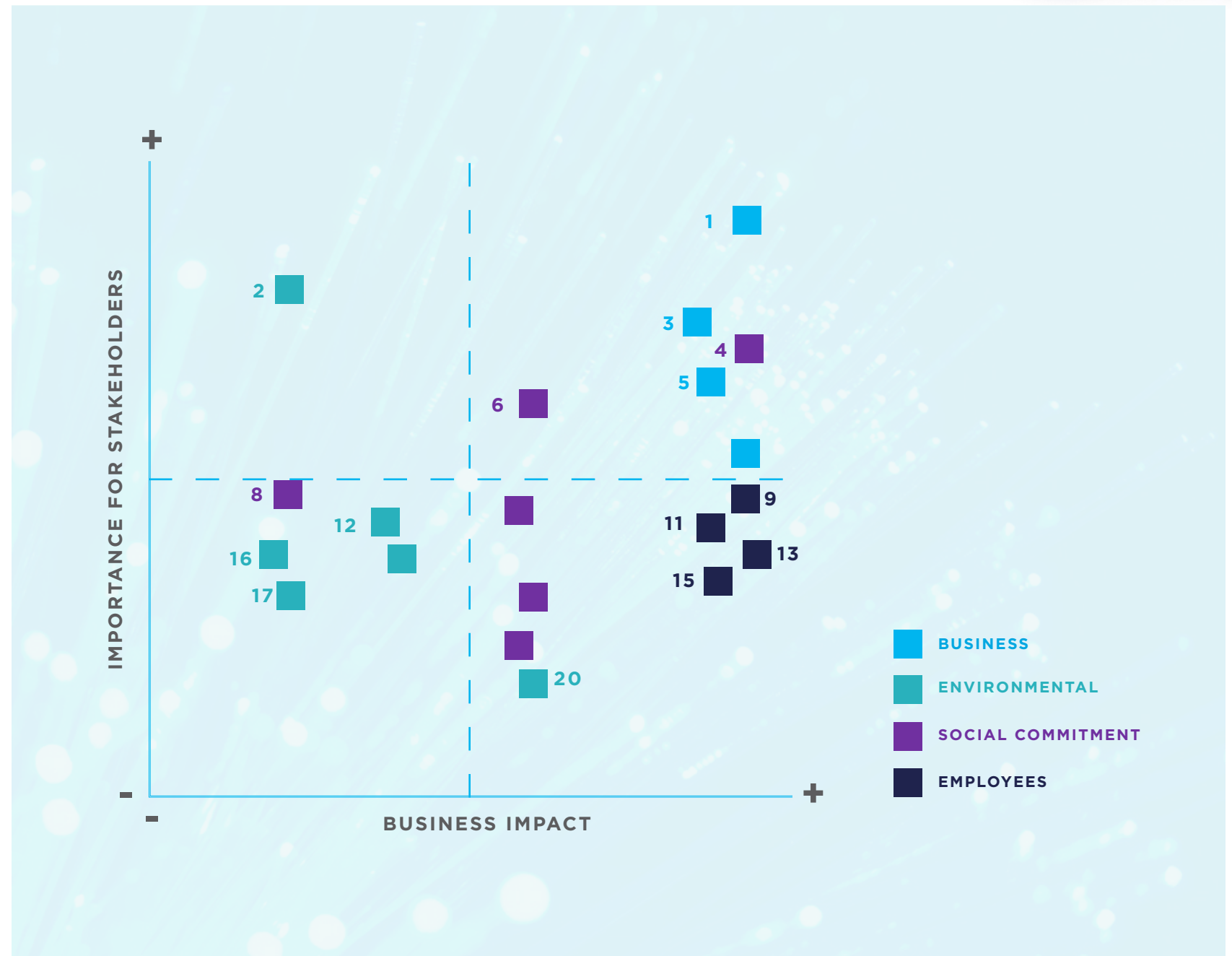
## Channels, level of communication and frequency

			
Intranet	organizational	daily	
E-mail	per brand and segment	daily	
Surveys	organizational, per brand and segment	monthly	
Social networks	organizational	daily	
Website	organizational	daily	
Advertising	by brand and segment	monthly	
Press releases	organizational	quarterly	
Supplier portal	organizational	daily	
Financial reports	Investors Relations Department	quarterly	
Annual Integrated Report	organizational	annual	

## MATERIALITY

In 2019 we updated our materiality exercise using the methodology recommended by Global Reporting Initiative (GRI), identifying the topics with the greatest impact for our business and considered the most important for our stakeholders. The result was seven highly relevant topics whose objectives, management, and performance are presented throughout this report.

For the following year we will update this analysis to identify the areas where we have the greatest impact - positive or negative, current or potential, on the economy, the environment, people and human rights - or those issues that impact the business or our stakeholders.



Highly relevant material issue	Type of impact	Actions to mitigate impacts
1. Information security	Current and positive, potential and negative for our customers.	<ul style="list-style-type: none"> <li>• We have an Information Security Management System.</li> <li>• We make our public information security posture available to any stakeholder.</li> <li>• We follow best practices as defined in international standards.</li> </ul>
2. Energy efficiency	Current and positive for the environment and our operation.	<ul style="list-style-type: none"> <li>• We included more renewable energies in our operations with higher energy demand.</li> <li>• We improved energy efficiency.</li> <li>• We shut down disused telephone exchanges.</li> </ul>
3. Network reliability	Current and positive, potential and negative for our customers	<ul style="list-style-type: none"> <li>• We have a Business Continuity Management System in place.</li> <li>• We are ISO 22301 certified.</li> </ul>
4. Ethics, anti-corruption and values	Potential and negative for our employees, society, and human rights	<ul style="list-style-type: none"> <li>• We launched Axtel's first anti-bribery system for the public sector bidding process which is ISO 37001 certified.</li> <li>• We provided employees with updates on the Code of Ethics.</li> <li>• We communicated our Anticorruption Policy to employees and trained them on this issue.</li> <li>• We received signatures for the Conflict of Interest and Confidentiality of Information Letter.</li> <li>• We requested suppliers sign the Code of Ethics.</li> <li>• We communicated our Anti-Corruption Policy to suppliers.</li> <li>• We assessed our operations on corruption-related risks.</li> <li>• We conducted ongoing inspections of contractors to prevent the risk of forced or child labor.</li> </ul>
5. Customer privacy	Current and positive, potential and negative for our customers	<ul style="list-style-type: none"> <li>• We make our privacy notice available to all stakeholders.</li> </ul>
6. Environmental and social risk management in the operation	Current, potential, and negative for the environment and society	<ul style="list-style-type: none"> <li>• We have a weather events committee.</li> <li>• We perform preventive maintenance routines throughout the network for events caused by climate change.</li> </ul>
7. Product and service innovation	Current, potential, and positive for society and the economy	<ul style="list-style-type: none"> <li>• We have different mechanisms to promote innovation, such as: the Axtel Innovation Model, Insight, Innovation Hub, NAVE and Axtel Labs</li> <li>• We implemented the Axtel Digital initiative.</li> </ul>

**Note.** Details of actions to mitigate impacts are described throughout the report in the corresponding topic section.





**Other material topics**

- 8. Community engagement (volunteer work and philanthropy)
- 9. Talent attraction and retention
- 10. Respect for and promotion of human rights
- 11. Employee health and safety
- 12. Strategies to combat climate change
- 13. Employee Commitment
- 14. Environmental policies
- 15. Employee education and training
- 16. Use of renewable energies in the operation
- 17. Emissions reduction
- 18. Diversity and inclusion
- 19. Integration of social and environmental aspects in supplier assessment
- 20. Waste reduction



## GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

As we have done for the past 10 years, we demonstrated our commitment to a more sustainable, inclusive, and fair future for all by ratifying our adherence to the United Nations Global Compact.

The Axtel Annual Integrated Report 2021 represents our Communication for Progress (CoP), so throughout this document we report the initiatives we undertook and the performance indicators that allow us to contribute to fulfillment of the 10 principles.



### Human Rights

- 01 Businesses should support and respect the protection of internationally proclaimed human rights.
- 02 Businesses should make sure that they are not complicit in human rights abuses.

### Labor

- 03 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 04 Businesses should uphold the elimination of all forms of forced and compulsory labor.
- 05 Businesses should uphold the effective abolition of child labor.
- 06 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

### Environment

- 07 Businesses should support a precautionary approach to environmental challenges.
- 08 Businesses should undertake initiatives to promote greater environmental responsibility.
- 09 Businesses should encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

Linked to our contribution to these 10 principles, we have identified the Sustainable Development Goals (SDGs) proposed by the United Nations to which we contribute most significantly. We identified that we directly contribute to five goals of three objectives and implement different initiatives that generate a positive impact on them.



SDGs	SDG targets we focus on	Initiatives to address SDGs
<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p>	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p>	<p>45% of the energy we use comes from clean or renewable sources.</p>
<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p>	<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<p>We generated direct employment for 4,237 men and women.</p> <p>We delivered more than \$5 million pesos in health and safety supplies to our employees.</p> <p>We have safety certifications and procedures that protect the integrity of our employees' environment.</p>
<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p>	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>	<p>We are the most relevant infrastructure neutral operator in Mexico, providing high availability connectivity to all data centers in our country.</p>

WE CONSTANTLY LOOK FOR ALTERNATIVES AND IMPLEMENT IMPROVEMENTS IN OUR PROCESSES WITH THE AIM OF **BEING MORE EFFICIENT, SO THAT WE CAN OFFER OUR CLIENTS INNOVATIVE SOLUTIONS OF THE BEST QUALITY AND WITH A LOW NEGATIVE ENVIRONMENTAL IMPACT**

## ENVIRONMENTAL COMMITMENT

To efficiently use resources, we seek to minimize the negative environmental impact of our operations while optimizing them. Our Environmental Policy is the main guideline for good performance at our premises and offices. Three specific policies emerge from this document: Waste and Residues; Energy Saving; and Water Consumption, which guide the specific use and management of each resource.

### ENERGY USE

Energy is a key resource for operating in our industry and in general to meet the technological demands of customers. Our **Energy Saving Policy** specifies the actions that help us ensure efficient use of energy in accordance with industry best practices and, consequently, reduce our Greenhouse Gas (GHG) emissions.



### GENERATOR CONSUMPTION (STATIONARY SOURCES)

Type	Liters	GJ
LP Gas	35,377	924
Diesel	158,916	5,987
Gasoline	4,195	139
<b>Total</b>	<b>198,488</b>	<b>7,050</b>



### FLEET CONSUMPTION (MOBILE SOURCES)

Type	Liters	GJ
<b>Infrastructure</b>		
Gasoline	1,599,099	52,996
Diesel	21,731	819
<b>Services</b>		
Gasoline	179,067	5,934
Diesel	3,128	118
<b>Total</b>	<b>1,803,024</b>	<b>59,867</b>



### ELECTRICITY CONSUMPTION

Tipo	MWh	GJ
Conventional	40,636	146,289
Normal cogeneration	15,224	54,806
Efficient cogeneration	47,526	171,094
Renewable photovoltaic	5,360	19,296
<b>Total</b>	<b>108,746</b>	<b>391,485</b>

We measure the energy efficiency of our data centers using Power Usage Effectiveness (PUE), an indicator that measures data center energy performance by calculating the proportion of energy used by the data center facility compared to the energy delivered to the IT equipment.

**WE RECORDED AN AVERAGE PUE OF 1.88 AT OUR DATA CENTERS**



### PUE PER DATA CENTER

Data Center	PUE
Monterrey CIT DH1	1.64
Monterrey CIT DH2-3	2.00
Guadalajara	1.99

### TELEPHONE EXCHANGE SHUTDOWN

In 2020 we began the process of shutting down telephone exchanges with obsolete equipment. This process will end in 2025. We rely on the help of specialized suppliers to take charge for the de-installation, the purchase of obsolete equipment, and extraction of raw materials and wiring for reuse or recycling.

In addition to generating an environmental benefit due to the tons of carbon dioxide that will no longer be emitted, this initiative represents significant savings for the business; in 2021 alone we saved more than Ps. 3 million pesos.

2020

### 6 POWER PLANTS

WERE SHUT DOWN, REPRESENTING ECONOMIC SAVINGS OF **PS. 2.3 MILLION AND PREVENTING THE GENERATION OF 414 TONS OF CO<sub>2</sub>e**

2021

### 13 POWER PLANTS

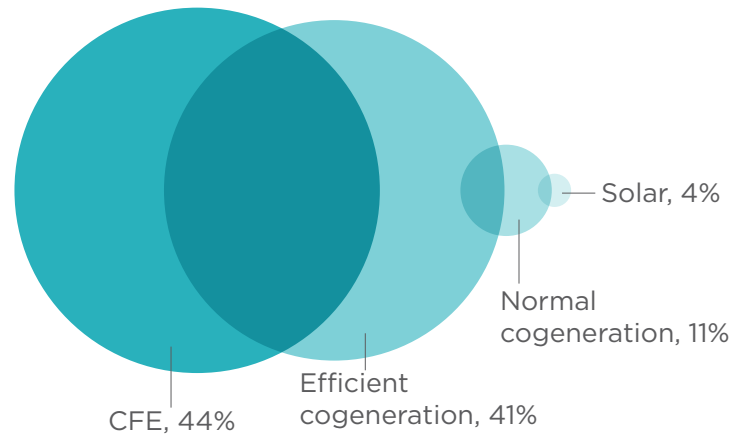
WERE SHUT DOWN, REPRESENTING ECONOMIC SAVINGS OF **PS. 3 MILLION AND PREVENTING THE GENERATION OF 553 TONS OF CO<sub>2</sub>e**

## MIGRATION TO CLEAN ENERGY (KWH)

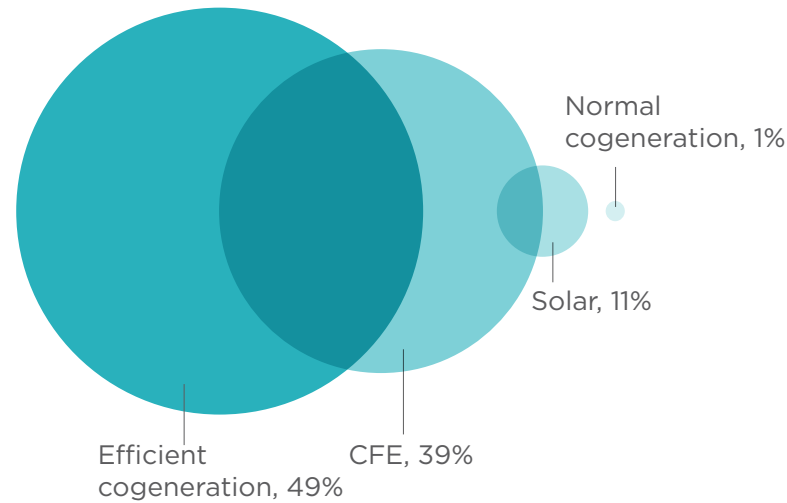
Note. Data for 2022 and 2023 are estimates.

### AXTEL'S ENERGY MIX ESTIMATES

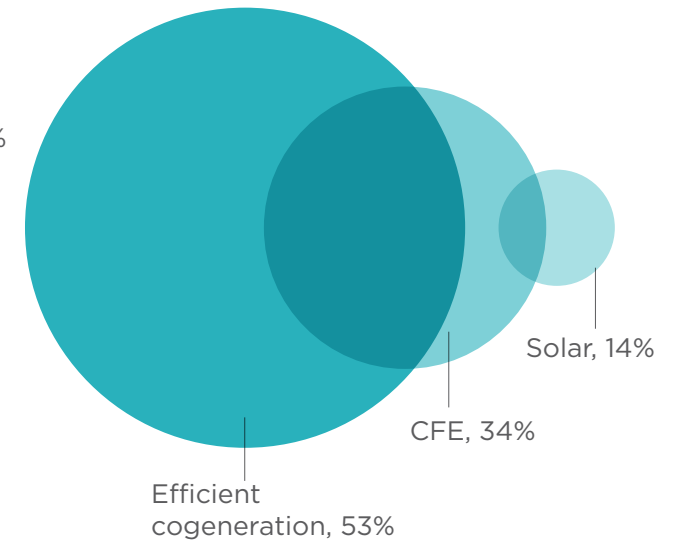
Consumption 2021 (kWh)



Estimated consumption 2022 (kWh)



Estimated consumption 2023 (kWh)



By 2023 we aim for 72% of our energy consumption to come from clean sources. In 2021 we migrated 56% of our consumption to more efficient suppliers.

In 2021 we also began the process of migrating to emission-neutral suppliers, i.e. suppliers that do not generate CO<sub>2</sub> emissions, achieving the target of 4% of our total consumption. The goal for 2022 is to reach 11% of total consumption with neutral emissions as well as to continue with the migration towards more efficient generators, seeking to reduce the supply of less efficient generation to 39%.

## IN 2021, 45% OF AXTEL'S ENERGY CONSUMPTION CAME FROM CLEAN OR RENEWABLE SOURCES





**TOTAL ENERGY CONSUMPTION (GJ)**

2019: 617,251



2020: 553,759



2021: **400,339**



Electricity:

**391,485**

Generators:

**7,050**

Fleet:

**1,803**

**ENERGY INTENSITY**

**48.28 GJ/MMDP**

GJ/MMDP CONSIDERING PS. 12.784 BILLION IN REVENUES AND 617,251 GJ

**44.81 GJ/MMDP**

ONSIDERING PS. 12.356 BILLION IN REVENUES AND 553,759 GJ

**35.15 GJ/MMDP**

CONSIDERING PS. 11.389 BILLION IN REVENUES AND 400,339 GJ

**THIS YEAR, 35.15 GJ WERE CONSUMED PER BILLION PESOS IN REVENUES**



## WE VOLUNTARILY REPORTED OUR EMISSIONS TO THE **CDP IN THE CLIMATE CHANGE AND EMISSIONS MODULES**

### **GREENHOUSE GAS EMISSIONS**

This year, for the second time, we prepared our greenhouse gas (GHG) emissions inventory. This is used to identify and report direct and indirect emissions resulting from our operations to measure and improve the way we manage our environmental performance.

In 2021 our total GHG emissions were reduced by 28%, mainly due to the shutdown of 13 obsolete telephone exchanges and the reduction of employee commutes under the new normal.





## Scope 1 (direct emissions)

Scope 1 emissions correspond to fuel consumption and energy generation at our premises (stationary sources) and fleet (mobile sources).

This year, direct Scope 1 emissions represented 11% of the total emissions of our operations, they increased compared to 2020 due to the fact that during 2021 there were electricity cuts caused, for the most part, by climatic events unrelated to our operation. Therefore, we consumed a greater amount of fuel in emergency plants in order to guarantee business continuity.

### SCOPE 1 EMISSIONS (TON CO<sub>2</sub>e)

2019: 3,324

2020: 4,635

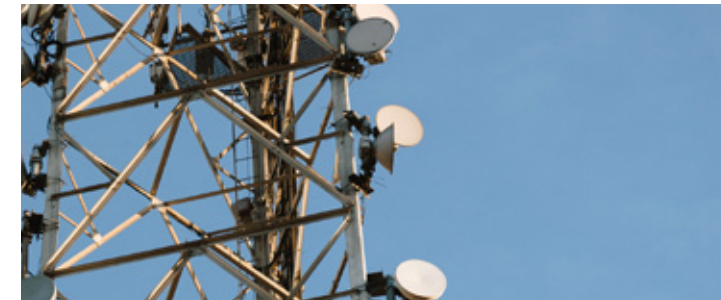
2021: **4,834**

### SCOPE 1 EMISSIONS (MOBILE SOURCES)

Type	Ton CO <sub>2</sub> e
<b>Infrastructure</b>	
Gasoline	3,822
Diesel	62
<b>Services</b>	
Gasoline	428
Diesel	9
<b>Total</b>	<b>4,321</b>

### SCOPE 1 EMISSIONS (STATIONARY SOURCES)

Type	Ton CO <sub>2</sub> e
LP Gas	58
Diesel	445
Gasoline	10
<b>Total</b>	<b>513</b>





### Scope 2 (indirect emissions)

Scope 2 emissions are derived from the purchase of electricity for use at our premises and offices. This year, Scope 2 indirect emissions accounted for 88% of total reported emissions.

In this scope we had a considerable reduction in the emissions generated, mainly due to the increase in energy consumption from renewable sources.

#### SCOPE 2 EMISSIONS (TON CO<sub>2</sub>e)

2019: 69,519

2020: 58,777

2021: **40,123**

### Scope 3 (indirect emissions)

Scope 3 emissions include all emissions from our value chain, that is, those indirectly generated. The most relevant sources come from the business trip flights made by employees and gasoline coupons given to executives as a benefit. These emissions represent 1% of total emissions from our activities.

#### Travel

In 2021 our employees made domestic and international trips that together accumulated 1,196,926 kilometers, resulting in indirect emissions of 202 tons of CO<sub>2</sub>e.

#### Coupons

We quantified the emissions from gasoline coupons given to executives. This year, these emissions resulted in 301 tons of CO<sub>2</sub>e.

#### SCOPE 3 EMISSIONS (TON CO<sub>2</sub>e)

2019: 1,204

2020: 1,030

2021: **503**



## Emissions intensity

This year, 3.50 tons of CO<sub>2</sub>e were emitted for each GJ consumed, considering 45,460 tons of CO<sub>2</sub>e for total energy consumption.

2019

**5.79 TON CO<sub>2</sub>e /BP**

CONSIDERING PS. 12.784 BILLION IN REVENUES AND 74,047 TON CO<sub>2</sub>e EMITTED

2020

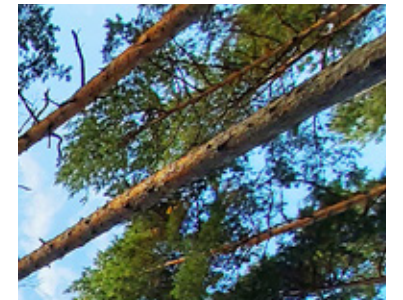
**5.21 TON CO<sub>2</sub>e /BP**

CONSIDERING PS. 12.356 BILLION IN REVENUES AND 64,441 TON CO<sub>2</sub>e EMITTED

2021

**3.99 TON CO<sub>2</sub>e /BP**

CONSIDERING PS. 11.389 BILLION IN REVENUES AND 45,460 TON CO<sub>2</sub>e EMITTED



### Notes on emissions calculation

- > We use the Greenhouse Gas (GHG) Protocol methodology to prepare the emissions inventory, as well as the methodological agreements of the National Emissions Registry Program and its Regulations, to calculate emissions and obtain the corresponding factors and references.
- > For Scope 2 emissions we used the 2021 National Electric System emission factor: 0.423 tCO<sub>2</sub>e/MWh.
- > The consolidation approach used for emissions was operational control.
- > For the calculation of Scope 1, 2 and 3 emissions, the information was compiled by Axtel.

## WATER CONSUMPTION

Although water is not a fundamental element for our operations, it is a vital resource that has been revalued in recent years. We therefore promote its efficient use and conservation among employees through our **Efficient Water Use Policy**.

All water we consume comes from the municipal supply in the entities where we do business and is discharged using this same process. In 2021 we did not record any impact on sources due to our water consumption.

In Mexico City we have 571 m<sup>3</sup> of water stored in cisterns for fire hydrants, restroom services, and precision air equipment.

### WATER SUPPLY PER SOURCE (m<sup>3</sup>)

Municipal supply

**27,711 m<sup>3</sup>**

### WATER CONSUMPTION (m<sup>3</sup>)

2019: 47,974

2020: 57,763

2021: **27,711**

## WASTE HANDLING AND DISPOSAL

We manage waste in accordance with our **Waste Management Policy**<sup>1</sup>, Mexican Official Standards, and the country's current environmental legislation.

Most materials we consume are used in our operational functions and not in the delivery of services since our technological solutions are intangible.

Both hazardous waste and lead acid batteries are stored in a temporary warehouse and are sent for proper disposal and confinement using the services of specialized suppliers.

Throughout the course of the year we sent 194,342 kilograms of paper and 6,172 kilograms of cardboard for recycling, a considerable increase with respect to previous years due to the purging of physical information in archives and warehouses.

### WASTE DISPOSAL (TONS)

	2018	2019	2020	2021
Recycling	32	124	74	201
Landfill	623	600	782	701
Confinement	61	59	10	0.8
<b>Total</b>	<b>716</b>	<b>783</b>	<b>866</b>	<b>903</b>

**Note.** In addition, we sent 184 liters of hazardous waste such as paint, thinner, and oils to confinement.

<sup>1</sup> See our Waste Management Policy at: [https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica\\_Manejo\\_y\\_Desecho\\_de\\_Residuos\\_.pdf](https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_Manejo_y_Desecho_de_Residuos_.pdf)

WE DELIVERED ON OUR MISSION  
TO ENABLE ORGANIZATIONS TO  
BE MORE PRODUCTIVE THROUGH  
DIGITALIZATION

## S O C I A L C O M M I T M E N T

During this year, our employees once again demonstrated their ability to be flexible, resilient, and committed to a largely digital and remote work environment, confirming that digital transformation exists and forms part of Axtel's new reality.

### NUESTRO EQUIPO

Our new work culture represented many challenges for the team, some of which have been a constant since 2020, such as stress caused by the pandemic, the pressure to stay at home, the lack of social interaction, and continuing to serve as fathers, mothers and teachers. These new situations prompted us to implement changes in processes, infrastructure, and facilities to provide employees with the certainty that, should they need to come to the office, the facilities would be ready and safe to receive them.

**NUMBER OF EMPLOYEES BY TYPE OF WORKDAY AND GENDER**



**AT AXTEL NO EMPLOYEES ARE HIRED WITH NON-GUARANTEED HOURS AND ALL WORKERS ARE EMPLOYEES OF THE COMPANY**

**NUMBER OF EMPLOYEES BY TYPE OF CONTRACT AND REGION**

Region	Permanent employment	Temporary employment
Central Mexico	1,385	64
North	2,391	118
West	262	17
<b>Total</b>	<b>4,038</b>	<b>199</b>

**EMPLOYEES BY AGE AND GENDER**

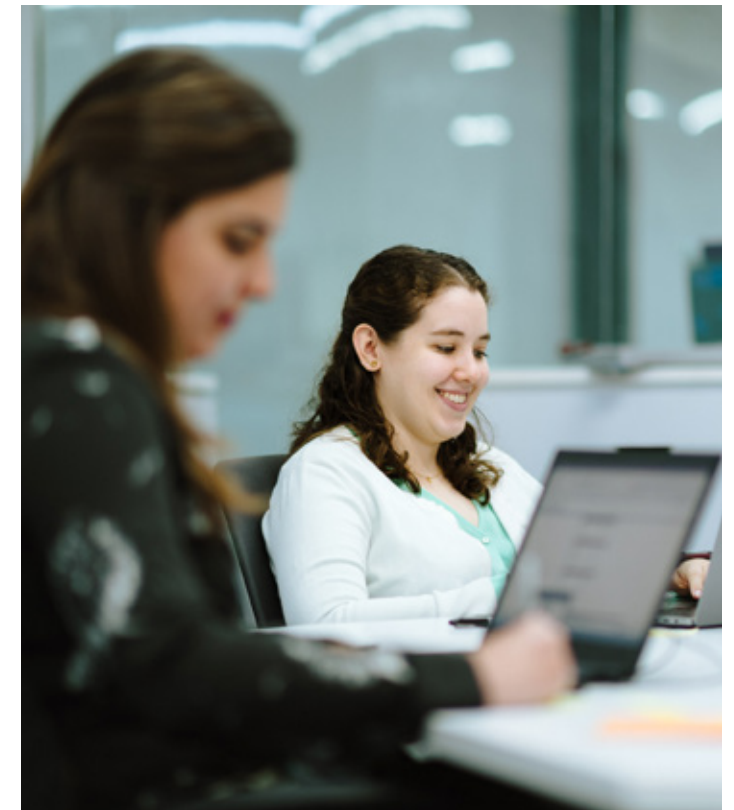
Age	Women	Men	Total
Under 30	228	446	<b>674</b>
Between 31 and 50	809	2,258	<b>3,067</b>
Over 50	70	426	<b>496</b>

**EMPLOYEES ACCORDING TO ORIGIN**



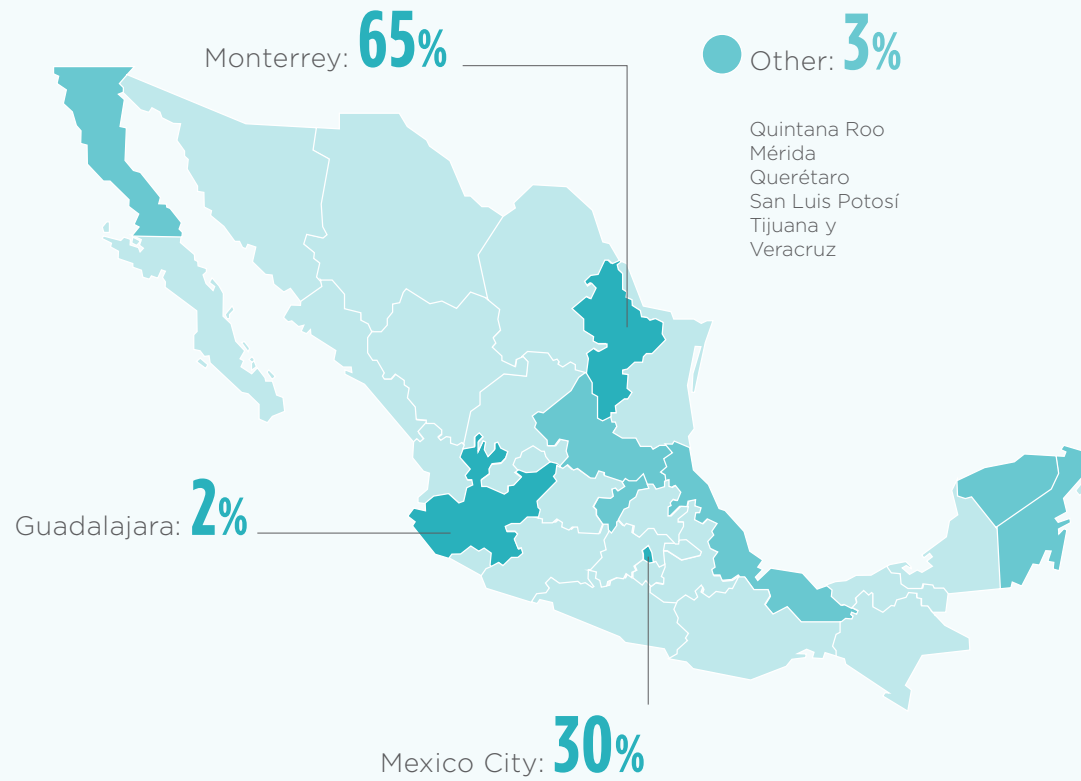
None of our employees are currently working outside of Mexico.

<sup>1</sup> Some of our employees are from Colombia, Argentina, Ecuador, Venezuela, Cuba, Chile, Haiti, Peru, Honduras, and Guinea.



### EXECUTIVES RECRUITED WITHIN THE LOCAL COMMUNITY

Executives are personnel in managerial or higher positions.



### EMPLOYEES BY JOB CATEGORY AND GENDER

Job category	Women	Men
Chief Executive Officers	-	7
Executive Officers	5	37
Managers	17	105
Middle management	42	205
Employees	1,007	2,654
Analysts	36	122
<b>Total</b>	<b>1,107</b>	<b>3,130</b>



### EMPLOYEES BY DIVERSITY CATEGORY

Diversity category	Number	Percentage of group to which they belong	Percentage with respect to total
Men	3,130	-	73.9%
Women	1,107	-	26.1%
Disability	2	-	0.05%
Women in executive positions	5	10.2%	0.1%
Women in management positions	17	13.9%	0.4%
Women in sales-generating positions	136	12.3%	3.2%
Women in science, technology, engineering, and mathematics (STEM) positions	282	25.5%	6.7%

**Note.** In the case of women in sales-generating positions, female employees in sales executive positions were considered while for STEM positions those related to innovation, research and development were considered.

### MANAGEMENT TEAM BY AGE AND GENDER

Job category	Women aged 31 to 50	Men aged 31 to 50	Women over 51	Men over 51
General manager and executive officers	-	-	-	7
Executive Officers	3	24	2	13
Managers	17	73	-	32

Despite the complex economic environment faced in 2021, our salaries remained competitive compared to the market. The ratio of the average base salary to the general minimum wage as defined by the Ministry of Labor and Social Welfare (STPS, acronym in Spanish), excluding executives and managers, is 1.8, and the corresponding ratio of women’s salaries to men’s salaries is 1.2. The ratio of total annual compensation was 33.6 and the ratio of percentage increase in total annual compensation was 0.8.



**AXTEL OFFERS THE SAME STARTING SALARY TO MEN AND WOMEN WITHOUT GENDER DISTINCTIONS**



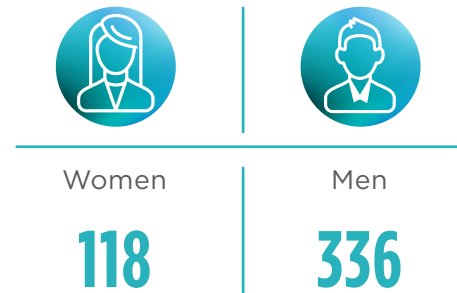
Similarly, we meet our pension plan obligations through the *Cuenta Crecer* retirement plan, with Axtel contributing 4% of each employee's salary.

We also continued recruitment and selection processes and this year 454 people joined our staff.

THIS YEAR 94 PEOPLE **WERE RECOGNIZED** FOR 25 YEARS WITH THE COMPANY AND 109 FOR A DECADE OF SERVICE



### NEW HIRES BY GENDER



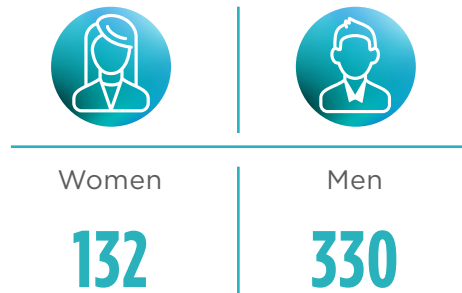
### NEW HIRES BY REGION, GENDER AND AGE

Region	Age					
	Under 30		31 to 50		Over 50	
	Women	Men	Women	Men	Women	Men
Central Mexico	8	39	33	82	1	7
North	31	78	37	89	1	8
West	2	16	5	16	-	1
<b>Total</b>	<b>41</b>	<b>133</b>	<b>75</b>	<b>187</b>	<b>2</b>	<b>16</b>

New hire rate in 2021: 10%.



### TURNOVER BY GENDER



### TURNOVER BY REGION, GENDER AND AGE

Region	Age					
	Under 30		31 to 50		Over 50	
	Women	Men	Women	Men	Women	Men
Central Mexico	19	24	40	82	3	12
North	24	70	35	90	6	21
West	-	9	5	19	-	3
<b>Total</b>	<b>43</b>	<b>103</b>	<b>80</b>	<b>191</b>	<b>9</b>	<b>36</b>

Turnover rate in 2021: 10%.

As part of a process of updating and renewing equipment, which involved the replacement of computers, monitors and other work tools in excellent condition, we offered 777 items of equipment for sale to our employees at costs between 50% and 75% lower than their market value. We implemented this initiative not only to benefit employees but also to extend the useful life of these computers.

Without the enthusiasm, dedication, commitment, and effort of our employees we would not be in a position to deliver the solutions so highly valued by customers. This is why we offer all employees benefits that exceed those established in Mexican law, making Axtel the best place for professional performance.

OF THE 462 PEOPLE WHO LEFT AXTEL FOR DIFFERENT REASONS, **250 LEFT VOLUNTARILY**



## AXTEL BENEFIT PLAN



Double Christmas bonus days



Major medical insurance with COVID-19 coverage



Life insurance



Savings plan



20 days leave for personal matters



Disability or invalidity coverage



Maternity and paternity leave



We also granted maternity leave for 50 employees and paternity leave for another 20 employees in 2021, of which 96% and 100% respectively returned to their activities at the end of their leave.

As part of the *Visiónate* (See Yourself) program aimed at executives close to retirement age, we offer training through talks and workshops to simplify the transition to this new stage in their lives. In 2021 three executives took advantage of this benefit.

In addition, to facilitate the remote work that is already a reality for Axtel, we delivered Phone Systems equipment, which is telephony by Teams, to 579 employees who need to make collection, recruitment, and customer service calls as part of their job, without the need to use their home phone or personal cell phone. Furthermore, we delivered 955 headsets to employees working in these same areas.



## HEALTH AND SAFETY

The overall health of employees, regardless of whether they work at home or in the field, is a priority for us.

We operate a health and safety management system based on the Occupational Safety and Health Self-Management Program (PASST, acronym in Spanish) in accordance with the Mexican Official Standards of the Ministry of Labor and Social Welfare (STPS). This program determines how we address these issues with employees and includes such activities as training, incident recording, implementation of preventive measures, medical supervision, and control.

Furthermore, to provide follow-up on safety measures, manage possible health crises within the company, inspect workspaces, and manage investigations related to work-related accidents, we have a Safety and Hygiene Committee which represents 100% of our employees as well as a Safety Committee and Civil Protection Brigades.

To eliminate hazards and minimize occupational risks we use safety guidelines for the identification and evaluation of health, social, and environmental risks:

1. Tasks and activities are described by job position.
2. The TSA (Task Safety Analysis) form is used to identify risk and classification steps based on their probability-consequence.
3. A risk matrix is established and assessed.
4. The level of risk (control or prioritization hierarchy) is defined to establish priorities.
5. Risk mitigation and control measures (elimination, prevention, and control) are proposed.



OUR HEALTH AND SAFETY MANAGEMENT SYSTEM IS **FREQUENTLY AUDITED TO ENSURE WE COMPLY WITH STPS REQUIREMENTS**

## THIS YEAR, 103 BRIGADE MEMBERS PARTICIPATED IN A CAMPAIGN TO IMPROVE THEIR KNOWLEDGE OF FIREFIGHTING, FIRST AID, AND EVACUATION MEASURES.

In addition, we provide employees with access to medical and health care services:

- Talks with specialists
- Agreements with laboratories, medical offices and health care clinics
- Consultation and medical guidance (cancer, prostate, diabetes)
- Flu vaccination campaigns
- Tetanus vaccination campaign
- Consultation with a nutritionist
- Psychological counseling
- Preventive check up of health indicators (IMSS)



In response to requirements derived from the pandemic, in 2021 our Contingency Committee continued to meet every 15 days to review support requests for employees affected by the disease and to update preventive measures for implementation in the business.

Although most employees continue to work remotely, approximately 15% of them maintain equipment and installations in the field that, due to the nature of the activity, cannot be migrated to a remote scheme.

Since the beginning of the pandemic in 2020 we have provided all of these employees with sufficient tools and measures in compliance with safety standards so they can perform their work and minimize exposure to the risk of contagion.

We invested \$5,086,410 pesos in safety supplies such as face shields, masks and antibacterial gel, COVID tests, sanitization, and medical equipment.

Throughout the year, governments in Mexico and much of the world activated vaccination campaigns against COVID-19 and Axtel promoted the vaccination of our workforce. At the end of the year, 3,426 of our employees in Nuevo León had received at least the first dose of a vaccine against the virus.

In addition, we participated in cross-border vaccination campaigns, supporting the transportation of 50 employees to the U.S. border to receive vaccinations there.

We also organized two influenza vaccination sessions with the participation of 1,685 employees and their families.

Since 2020 we have created the internal page **Juntos ante el COVID-19 (Together against COVID-19)** where we post informative and awareness-raising material on health, hygiene, safety, and prevention issues. In addition, employees can use this page to report COVID infection and any vaccination dose received.

As an additional benefit, we have agreements with educational institutions so employees can receive psychological support and therapeutic processes if required.

The COVID-19 Access Plan and Code of Conduct, a document employees signed in 2020 to be able to enter our facilities and which serves to ensure they are aware of and committed to putting the phrase *You take care of me, I take care of you* into practice remained in force this year.



At Axtel the health of employees goes beyond preventing accidents, injuries, or contagion and is aligned with requirements to comply with NOM 035 Psychosocial Risk Factors in the Workplace. Through the **Integral Welfare** strategy we implemented a series of guidelines to create healthy work environments, free of any form of violence, abuse, retaliation and/or discrimination, and with a balance between work and family.

OUR SECURITY PROTOCOLS AGAINST COVID-19, PLUS THE SPECIFIC ACTIONS OF EMPLOYEES, CONTRIBUTED TO US RECORDING THREE CONSECUTIVE WEEKS WITHOUT ANY CASES OF CONTAGION

## INTEGRAL WELFARE HAS THREE DIMENSIONS:



**Health.** With guidelines and protocols on a variety of topics such as NOM 035 psychosocial risk factors, attention to traumatic events, COVID-19 prevention, and attention to mental health care we offered informative talks on nutrition, anxiety, emotional intelligence, insomnia, and bereavement during the course of the year with the participation of 2,798 employees.



**Professional.** With Axtel Digital's institutional programs, the Axtel Education Fair and webinars with experts, as well as virtual events such as the 10-year seniority recognition and the year-end celebration.



**Balance.** With workshops on healthy desserts, personal finances, skin care, and healthy aging, with the participation of 1,044 employees. There were also online yoga and pilates classes for which 2,190 employees enrolled.

We invested

# \$1,529,324 IN WELFARE

AND RECREATION INITIATIVES



As we do every year, health and safety courses were offered to employees as well as other specific courses for certain job positions.

**General**

- Preventive occupational health and safety measures
- Instructions on what to do in case of earthquake and fire

**Specific**

- Work at heights
- Work on telecommunication towers
- First aid
- Building evacuation
- Fire prevention and firefighting



Five employees suffered hand injuries caused by tripping, falls from the same level, traffic accidents, electrical outlets and falls from heights. One employee had a recordable occupational illness due to lower back pain but there were no fatalities.



**INDICATORS RELATED TO OCCUPATIONAL INJURIES**

Item	Number	Rate
Deaths	0	0
Occupational injuries with major consequences	1	0.01
Recordable occupational injuries	4	0.07
Recordable occupational illness	1	0.01

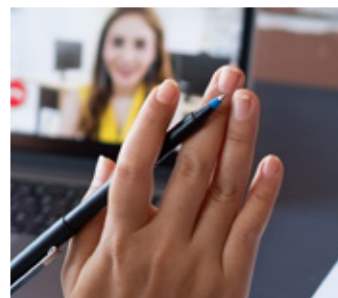
10,739,312 hours worked were considered to calculate the rate.



## EMPLOYEE DEVELOPMENT

The pandemic has served as a catalyst for the digitalization of many processes, one of which is employee training. Once again, this year most courses and training were conducted using digital platforms such as Microsoft Teams, which contributed to our digital evolution.

In addition, we organized training programs in virtual format for technical matters and soft skills.



Training	% of staff trained
Human-administrative competencies	96%
Alestra and Axnet brand culture	90%
Institutional training program	89%
Degreed Leaders	60%
Tower Climbing and Work at Heights Certification	11%
Welcome kit (onboarding)	8%
Instructor training	0.5%

<sup>1</sup> This program considers topics such as sustainability, agility, a new way of working, resilience, information security, human rights, code of ethics, integrity and the environment.

<sup>2</sup> This certification program was carried out in a hybrid scheme, the theoretical part online and the face-to-face practice.

THIS YEAR MOST COURSES AND TRAINING WERE CONDUCTED USING DIGITAL PLATFORMS SUCH AS MICROSOFT TEAMS, WHICH **CONTRIBUTED TO OUR DIGITAL EVOLUTION**



With regard to human rights, we included content in the institutional training program to reinforce diversity and inclusion. We organized four awareness-raising sessions on Diversity and Gender Inclusion at work and Discrimination in the workplace: inclusive companies, with a total of 66 attendees.

We also offered special training on our human rights policies and procedures with the participation of 3,885 employees. Our goal is that by 2022 we will have a more robust offer to raise awareness of these issues.

**AVERAGE HOURS OF TRAINING BY JOB CATEGORY AND GENDER**

Job Category	Total training hours		Average hours of training	
	Women	Men	Women	Men
Chief Executive Officers	-	106	-	15
Executive Officers	228	1,249	46	34
Managers	851	4,372	47	41
Middle management	4,361	9,259	51	34
Employees	29,452	79,038	36	32
Analysts	4,959	5,852	25	23
<b>Total</b>	<b>39,851</b>	<b>99,876</b>	<b>36</b>	<b>32</b>

To increase training options for employees and help them improve their professional development, we organized the **Axtel Education Fair** with the participation of 212 employees so they could learn about the educational offers of different universities in Mexico.

OUR EMPLOYEES RECEIVED AN AVERAGE OF 34 HOURS OF TRAINING IN 2021

**We invested**

**\$11,834,446** IN TRAINING

FOR ALL OF EMPLOYEES

Aware of the importance of being up to date on the topics relevant to our industry and the services we provide, 190 employees obtained 228 certifications in different technologies and technical knowledge from institutions such as Amazon Web Services, Avaya, CISCO, EC-Council, Fortinet, ISACA, ISO, ITIL, Microsoft, PMP, SCRUM, Six Sigma and KANBAN.



In addition, we started the implementation of employee-to-employee training initiatives whereby an employee shares their knowledge with others to produce a cascade effect. In this regard, a member of the business department provided three hours of mentoring on business and leadership skills to five other colleagues. Similarly, through our internal training network 77 employees offered 10,900 hours of technical and induction courses to 1,134 employees from the business and operational areas.

With respect to **UniAlestra**, our business university, in 2021 we continued our work to obtain official recognition from the Ministry of Public Education (SEP, acronym in Spanish) for eight graduate programs. We currently have five applications for feasibility and three for recognition of official validity (RVOE, acronym in Spanish).

LINKEDIN LEARNING REQUIRED A ONE-TIME INVESTMENT OF **\$1,076,625 PESOS FOR THE PURCHASE OF LICENSES**

Starting in 2020 we began using LinkedIn Learning with the goal of enabling leaders to develop technology competencies at their own pace and according to a schedule that worked best for them. In 2021 we expanded the program and now all employees can use the platform to obtain certification or update their skills in technologies for the performance of their activities. At the end of the year, 327 employees completed 3,626 courses with evidence of more than 80%, equivalent to more than 5,000 hours of training.





Focused on the same goal, we measured the skills and competencies of our team to design training routes and succession plans, conducting performance evaluations for 497 employees, middle managers, managers and executive officers.

**PERFORMANCE EVALUATION BY POSITION AND GENDER**

Position	Women	Men
Middle management	18	23
Employees	128	139
Analysts	11	7
<b>Total</b>	<b>157</b>	<b>169</b>

**2021 EVALUATION BY OBJECTIVES AND BEHAVIORS FOR EXECUTIVES BY GENDER**

Position	Women	Men
Chief Executive Officers	-	8
Executive Officers	5	36
Managers	17	105
<b>Total</b>	<b>22</b>	<b>149</b>

For the first time ever, in June we conducted a survey to which 2,947 employees, representing 70% of the workforce, responded. This survey measured the levels of commitment perceived by employees. The result was a 98% commitment level.

As part of the same survey we asked employees to rate different aspects related to Axtel’s organizational culture, with compensation being the most positively evaluated.

**AVERAGE RATING BY ITEM**



## SOCIAL BONDING

Despite social distancing measures, this year we joined efforts to stay close to employees, their families, and the community by introducing different initiatives.

As in 2020 we continued to support employees with medical, hospital, and funeral expenses for COVID-19 through the internal campaign **1 PE\$O EQUALS 2**, which consisted of raising funds with voluntary contributions from employees which were duplicated by Axtel.



Voluntary contributions from 1,293 employees amounted to \$592,850 pesos, which were duplicated by Axtel, raising a total of \$1,185,700 pesos benefiting 48 families.

Furthermore, every time an employee requires support from our internal dissemination mechanisms to find blood donors we activate a campaign so employees can show solidarity and donate or spread the message. In 2021 we launched 20 campaigns.

Throughout the year we organized virtual celebrations to commemorate anniversaries and promote the integration of all employees and their families. We also celebrated the end of the year with a family event attended by 4,282 employees.

At Christmas we organized two campaigns to give away toys to 590 children with cancer. 328 employees participated in these campaigns with voluntary contributions via payroll and toy donations totaling \$115,062 pesos.

IN 2021, FOUR MEETINGS OF THE BOARD OF DIRECTORS WERE HELD **WITH AN AVERAGE ATTENDANCE OF 94%**

## C O R P O R A T E G O V E R N A N C E

Axtel's **Board of Directors**<sup>1</sup> is our highest governing body and, together with the Chief Executive Officer, is responsible for ensuring the creation of sustainable value for our customers, employees, investors, and suppliers through responsible decision-making focused on business strategy and aligned with the values, ethics, and integrity that characterize us as a company.

This board is formed by 12 proprietary directors, seven of whom are independent and three alternates, and is co-chaired by Álvaro Fernández Garza and Tomás Milmo Santos.

The directors were appointed and approved at the General Shareholders' Meeting on March 5, 2021, in accordance with the guidelines defined in the Stock Market Act (LMV, acronym in Spanish), Axtel's bylaws, our Code of Ethics, the OECD Code of Principles and Best Practices of Corporate Governance and the Global Compact Principles.

<sup>1</sup> Learn about the main functions of the Board of Directors at: <https://www.axtelcorp.mx/consejo-de-administracion/>

In recent years we have focused our efforts on ensuring that board decisions also address ESG issues considered relevant to our investors, the sectors in which we participate, our stakeholders, but above all, to humanity. In this regard, this year we added the areas of opportunity detected in the ESG questionnaires we responded to in the priorities of certain executive divisions to define actions to address them and also report them to the Board of Directors.

Axtel's Internal Control area, under the Executive Finance Department, is responsible for documenting and managing the main risks faced by the company, as well as providing follow-up and reporting on them. Every year, an evaluation and identification of risks is carried out under a comprehensive approach, where each of Axtel's Executive Directions identifies the main existing and emerging risks, obtaining Axtel's risk matrix, under which they are classified by type, whether strategic, operational, financial, information or climate, its nature, its probability and impact.

Based on this matrix, the strategy or work plan to mitigate it is determined for each risk, those responsible for managing it are defined, and the progress status of said strategy is monitored. The results are presented to the Audit and Corporate Practices Committee of Axtel and ALFA on a quarterly basis.



To determine remuneration for members of the Board of Directors and executive officers, we use our Salary Administration Policy as a reference, conducted market surveys, and considered economic indicators such as inflation, growth expectations and the company's current situation. While independent consultants do not participate in this process, proposals for general increases and/or adjustments to benefits or allowances are submitted to General Management for approval.

This remuneration includes fixed and variable salaries, hiring incentives, severance payments, reimbursements, recoveries and retirement benefits. In addition, the variable compensation received by executive officers is established based on achievement of the company's economic objectives.

## OUR DIRECTORS RECEIVE **FIXED REMUNERATION**

## MANAGEMENT TEAM BENEFIT PLAN

Component	Target	Description
Alignment with business strategy	<p>To align fixed and variable compensation to the company's strategic objectives.</p> <p>To provide competitive total remuneration in the benchmark labor market to attract and retain the best talent.</p>	Fixed compensation is defined based on the reference market. While variable compensation incentivizes the achievement of strategic business objectives by being linked to performance.
Base salary	Attract and retain talent.	Salaries are reviewed annually in accordance with business results, the macroeconomic environment, salary surveys, and performance.
Fixed remuneration (benefits)	Comply with the legal framework and ensure competitiveness with respect to the market.	The benefit plan is defined based on labor market references and exceeds those established by law.
Variable remuneration	Reward the achievement of individual and group objectives and reinforce the alignment of the management team with shareholder interests.	Annual bonus plan according to the meeting of operating and strategic objectives.
Social benefits	Provide equity stability to the executive and deal with contingencies, retain talent.	Major medical insurance, life insurance, emergency insurance and periodic medical check-ups.



To support the functions of the Board of Directors in auditing matters we have an **Audit and Corporate Practices Committee**<sup>1</sup>. This committee is comprised of three independent directors and chaired by Enrique Meyer Guzmán.

<sup>2</sup> Learn about the main functions of the Audit and Corporate Practices Committee at: <https://www.axtelcorp.mx/comite-de-auditoria/>



## BOARD OF DIRECTORS

### Co-Chairmen

#### Álvaro Fernández Garza

March 27, 1968 (53 years old)

Director and Co-Chairman of the Board of Directors of Axtel since February 2016 (5 years).

CEO of ALFA, S.A.B. de C.V. Chairman of the Board of the Universidad de Monterrey (UEM) and Co-Chairman of Nemak. Member of the Boards of ALFA, Alpek, Grupo Citibanamex, Cydsa, Grupo Aeroportuario del Pacífico and Vitro. He holds a bachelor's degree in Economics from the University of Notre Dame, and a master's degree in Administration from the ITESM and from Georgetown University.

#### Experience:

- Telecommunications Industry (ICT): Chief Officer of Alestra from 1996 to March 2003.

#### Tomás Milmo Santos

November 3, 1964 (57 years old)

Director and Co-Chairman of the Board of Directors of Axtel since February 2016. Before the merger between Axtel and Alestra, he was Director of Axtel since 1994 (27 years).

He was Axtel's CEO from 1994 to February 2016, he has been Director since 1994 and was Chairman of the Board of Directors from 2003 to February 2016. He is a member of the board of directors of CEMEX, the ITESM, and Promotora Ambiental. He is also chairman of the board of Tec Salud. He holds a degree in Business Economics from Stanford University.

#### Experience:

- Telecommunications Industry (ICT): CEO of Axtel from 1994 to February 2016.



## Proprietary Directors

### Eduardo Alberto Escalante Castillo

March 27, 1958 (63 years old)

Director of Axtel since February 2019 (2 years).

CFO of ALFA, S.A.B. de C.V. since 2018 and CEO of Axtel since January 2021. He was Chairman of the Chemical Industry National Association (ANIQ) in Mexico. He holds a degree in Electronic and Communications Engineering from the ITESM and a master's degree from Stanford University.

#### Experience:

- Telecommunications Industry (TIC): CEO of Axtel as of January 2021; Marketing Director of Alestra.

### Armando Garza Sada

June 29, 1957 (64 years old)

Director of Axtel since February 2016 (5 years).

Chairman of the Board of Directors of ALFA and Alpek, as well as Co-Chairman of Nemak. Member of the Boards of BBVA Mexico, CEMEX, Grupo Lamosa and Liverpool. Graduated from the Massachusetts Institute of Technology, he also holds an MBA from Stanford University.

### Patricio Jiménez Barrera

October 29, 1965 (56 years old)

Director of Axtel since February 2018, before the merger between Axtel and Alestra, he was Director of Axtel from 2005 to 2016 (11 years).

Chairman of Abstrix. Member of the Boards of Directors of Grupo Tredec and Jumbocel. He is a Certified Public Accountant graduated from the ITESM.

#### Experience:

- Telecommunications Industry (ICT): CFO of Axtel from 1998 to February 2009.

### Alejandro Miguel Elizondo Barragán<sup>(1)</sup>

October 14, 1953 (68 years old)

Director of Axtel since February 2016 (5 years).

He is a member of the Board of Directors of Arca Continental and Stiva Group. He holds a degree in Mechanical and Electrical Engineering from the ITESM and an MBA from Harvard University.

### Francisco Garza Egloff<sup>(1)</sup>

September 5, 1954 (67 years old)

Director of Axtel since February 2016 (5 years).

Member of the Board of Directors of Arca Continental, Grupo Industrial Saltillo, Grupo ALEN, Alpek, Grupo Financiero Banregio, Ovnvier, RAGASA and Proeza, as well as the School of Engineering and Sciences of the ITESM, the Coca-Cola Foundation, the "Rosa de los Cuatro Vientos" Cultural Center, the "Ser y Crecer" Foundation, President of the UANL Foundation and "Caballero de San Miguel Arcángel" of CAMSVI. Vice President of the Confederation of Industrial Chambers of Mexico, CONCAMIN. He has a degree in Chemical Engineering from the ITESM, with studies in Senior Management at IPADE.

<sup>(1)</sup> Independent Director

## Proprietary Directors

### Juan Ignacio Garza Herrera<sup>(1)</sup>

November 26, 1966 (55 years old)

Director of Axtel since February 2016 (5 years).

CEO of Xignux. He was President of the COMCE Noreste and has been a Board Member of Xignux, Consejo Mexicano de Hombres de Negocios (CMHN), BBVA Mexico (Regional Noreste), UDEM, ICONN, Cleber and of the Instituto Nuevo Amanecer, A.B.P. He was President of Nuevo Leon's Transformation Industry Chamber. He has a degree in Mechanical Engineering from the ITESM, and a Master's in Administration from the University of San Francisco.

### Fernando Ángel González Olivieri<sup>(1)</sup>

October 2, 1954 (67 years old)

Director of Axtel since February 2016, before the merger between Axtel and Alestra, he was Director of Axtel since 2010 (11 years).

CEO of CEMEX. Member of the Boards of Directors of Grupo Cementos de Chihuahua and the Universidad Tec Milenio. He holds a bachelor's and master's degree in Administration from the ITESM.

<sup>(1)</sup> Independent Director

### Enrique Meyer Guzmán<sup>(1)</sup>

January 7, 1960 (61 years old)

Director of Axtel since February 2016 (5 years).

Chairman of the Board and CEO of Grupo CEMIX. Director of UDEM, Bancomer, Banamex, Silica Desarrollo, S.A. (Arboleda), Fondo Emblem and Beliveo. He is an Industrial and Systems Engineer from the ITESM, with a master's degree in Business Administration from Stanford University.

### Ricardo Saldívar Escajadillo<sup>(1)</sup>

April 21, 1952 (69 years old)

Director of Axtel since February 2016.

Private investor. Member of the Boards of FEMSA, Tecnológico de Monterrey and Grupo Industrial Saltillo, among others. Former President and CEO of The Home Depot Mexico, a position he held for eighteen years until June 2017 when he retired. Prior to that, he worked in various ALFA Group companies for nearly 21 years. He has a degree in Mechanical Engineering Administration from the ITESM, with a Master of Science in Systems Engineering from Georgia Tech and a diploma in Senior Management from IPADE.

#### Experience:

- Telecommunications Industry (ICT): CFO of Alestra from 1996 to January 1999.

### Alberto Santos Boesch<sup>(1)</sup>

August 26, 1971 (50 years old)

Director of Axtel since February 2016, before the merger between Axtel and Alestra, he was Director of Axtel since 2013 (8 years).

Chairman and CEO of Ingenios Santos. Member of the Boards of GRUMA, BBVA Mexico, Interpuerto de Monterrey, Comité del Desarrollo del ITESM, Instituto Nuevo Amanecer, Renace, Red de Filantropía de Egresados y Amigos del Tec, Committee of the Advisory Council of the Faculty of Political Science and Public Administration of the UANL and Unidos por el Arte contra el Cáncer Infantil (UNAC). He has a degree in International Studies from the UDEM.

## Alternate Directors

### José Antonio Gonzáles Flores

May 5, 1970 (51 years old)

Alternate director of Axtel since February 2016.

Executive Vice President of Strategic Planning and Business Development of CEMEX. He holds a degree in Industrial and Systems Engineering from the ITESM and an MBA from Stanford University.

### Thomas Lorenzo Milmo Zambrano

July 9, 1935 (86 years old)

Alternate director of Axtel since February 2018.

He was co-founder and Chairman of the Board of Directors of Grupo Javer and Incasa. He was Chairman of the Board of Directors and CEO of Carbonífera San Patricio and Carbón Industrial, as well as a member of the Board of Directors of CEMEX until 1996.

### Paulino José Rodríguez Mendivil

April 21, 1951 (70 years old)

Alternate director of Axtel since February 2019.

Director of Human Capital of ALFA, S.A.B. de C.V. Member of the Board of Directors of Campofrío Food Group, COPARMEX and the Consejo Coordinador Empresarial. He is an Industrial and Systems Engineer from the University of the Basque Country, Spain, with a master's degree in Energy Techniques from the same institution.



**OUR DIRECTORS HAVE EXTENSIVE PROFESSIONAL EXPERIENCE IN A NUMBER OF INDUSTRIES AND KNOWLEDGE IN ESG ISSUE MANAGEMENT FOR BUSINESS**

## MANAGEMENT TEAM

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### Eduardo Alberto Escalante Castillo



63 years old  
CEO

In addition to being ALFA's Finance Director since 2018, Eduardo Escalante was appointed Axtel's General Director in January 2021. Prior to his current positions, he was the Administrative and Finance Director for Alpek. He has held various administrative positions in ALFA, the controlling company, and in the subsidiaries: Hylsamex, Sigma Alimentos, Alestra and Alpek. He was the CEO of Colombin Bel, CEO of the Caprolactam and Fertilizers Division of Alpek and CEO of AOL México. Degree in Electronics and Communications from Tecnológico de Monterrey (ITESM) and a Master's from the University of Stanford. Former Chairman of the National Association of the Chemical Industry (ANIQ) in Mexico.

### Carlos Guillermo Buchanan Ortega



62 years old  
Executive Director of Human Capital

Former Managing Partner of B&S Consultores and Human Resources Director at Alestra. He served as the Human Resources Director at Telefónica Movistar, Commercial Banking at Grupo Financiero Bancomer, Bimbo, Black & Decker and Prolec G.E. Served as the Executive Chairman of ERIAC Capital Humano and is now a member of the board. He is a Curriculum Consultant at UDEM, an Employability Board Member at Tec Milenio, a Board Member at Movimiento Congruencia AC, a member of the Study Group and guest Monitor for the D1, D2 and Medex programs at the IPADE. He has experience as a speaker and lecturer at UDEM, ITESM and ITESO. Bachelor's Degree in Psychology with a Master's in Organizational Development and Administration from UDEM, as well as postgraduate studies at IPADE and Kellogg University.

## MANAGEMENT TEAM

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### Andrés Eduardo Cordovez Ferretto



53 years old  
Executive Director of Infrastructure and Operations

Served as the Executive Director of Technology and Operations in Axtel from October 2013 to January 2016. Before holding this position, he was the Director of Information Technologies and Processes. In his 27 years of professional experience he has held various executive positions in a variety of domestic and multi-national companies in the telecommunications, financial and services industries, being responsible for different functions such as technology, innovation, operations, customer service and sales. He has a Bachelor's Degree in Computer Systems Engineering from ITESM and obtained a certificate degree in Senior Management from IPADE. He has completed executive development courses at the universities of Wharton, Stanford and the London Business School.

### Adrián Cuadros Gutiérrez



51 years old  
Executive Director of the Government Sector

Served as the Executive Director of IT Solutions (February 2016 to December 2017). He was part of Alestra since February 1996, where he served as the Director of Engineering, Chief Technology Officer, Director of Government Sales and Director of Sales of IT Services. He also formed part of AT&T de México, where he held various positions from July 1993 to January 1996. Degree in Electronic and Communications Engineering from ITESM, with a Master's in Administration from the same institution. Completed the Executive Program at IPADE, the University of Stanford and the London Business School. In September 2018, he completed the Board Member Training Program at EGADE Business School.

## MANAGEMENT TEAM

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### Adrián De Los Santos Escobedo



53 years old  
Executive Finance Director

Served as the Acting Director of the Finance Office. Held the position of Corporate Finance and Investor Relations Director at Axtel until February 15th, 2017. Prior to joining Axtel in April 2016, he worked at Operadora de Bolsa y Banca Serfin (now Santander México) and Standard Chartered Bank, where he held positions in Institutional and Corporate Banking in the cities of Monterrey, London and New York. Bachelor's Degree in Business Administration from ITESM, with a Master's in Finance from the Carroll School of Management of Boston College.

### Bernardo García Reynoso



63 years old  
Executive Director of Planning and Development

Joined Alfa in 1985 and joined Alestra as of its founding in 1996, holding various positions in the Sales, Marketing, Strategic Alliances, Administration and Human Resources areas. He served as the Finance Director for Alestra for the seven years prior to the merger, upon which he took over the position of Executive Director of Planning and Development for Axtel in 2016. Degree in Industrial and Systems Engineering from ITESM, with a Master's in International Commerce from Universidad de Monterrey and a Master's in Business Administration from the International Institute for Management Development (IMD) of Lausanne, Switzerland.

## MANAGEMENT TEAM

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### Ricardo J. Hinojosa González



55 years old  
Executive Director of Business Market

Responsible for the strategy, development of solutions, implementation of alliances, promotion, commercialization and profitability of the Alestra brand. With over 32 years of experience, he has held various executive positions in the Sales, Marketing, Managed Services and Planning areas. Bachelor's Degree in Administrative Computer System from ITESM, with a Master's in Business Administration with a specialization in Marketing from the University of California in Los Angeles. He has completed specialized management studies at IPADE, Wharton University and Tuck. He also is a recurring speaker at various national and international forums.

### Raúl Ortega Ibarra



65 years old  
Legal and Regulatory Executive Director

Served as the Director of Government and Legal Relationships for Alestra beginning in 1996, where he later served as the director of International Business and Communications from 2001 to 2007. Former Director of Regulatory Matters of AT&T Corp. in Mexico and former leader and founder of the representative office for Mexican business bodies in Washington, D.C. Graduated from Universidad Iberoamericana, with executive studies in Political Economics and Management from the University of Stanford.



## RISK AND OPPORTUNITY MANAGEMENT

Axtel is exposed to risks and opportunities related to financial, regulatory, market, tax, social, and ethical issues, as well as those related to climate change and other industry-specific issues such as network neutrality, paid peering, zero rating, and other practices related to network reliability. All or any one of these may have adverse effects on our business, the results of our operations and financial conditions.

The Compliance and Internal Control department, together with ALFA, performs an annual exercise to identify and manage strategic risks, determining their criticality and impact to establish a clear picture and take preventive actions in the event of possible repercussions for business performance.

A risk compendium is then generated

and submitted to the Chief Executive Officer, the Board of Directors, and the Audit and Corporate Practices Committee to define the follow-up and monitoring actions to be taken by each executive management.

In addition, to maintain constant, timely, and adequate management of the risks and opportunities we are exposed to, we hold sessions with each executive officer to understand emerging issues from the perspective of their department for the development and implementation of measures for attention, follow-up and/or mitigation.

**\*Note.** In our Annual Integrated Report 2021 we included information on the performance of these companies, which are the same as those reported in our financial report.

## OPERATING STRUCTURE\*

Subsidiary	Country	Holding percentage
Axtel, S.A.B. de C.V. (Controladora) <sup>(2)</sup>	Mexico	-
Servicios Axtel, S.A. de C.V. <sup>(3)</sup>	Mexico	-
Alestra Innovación Digital, S. de R.L. de C.V. <sup>(2)</sup>	Mexico	100%
Axes Data, S.A. de C.V. <sup>(3)</sup>	Mexico	-
Contacto IP, S.A. de C.V. <sup>(3)</sup>	Mexico	-
Instalaciones y Contrataciones, S.A. de C.V. <sup>(3)</sup>	Mexico	-
Ingeniería de Soluciones Alestra, S.A. de C.V. <sup>(3)</sup>	Mexico	-
Alestra USA, Inc. <sup>(1)</sup>	United States	100%
S&C Constructores de Sistemas, S.A. de C.V. (“S&C”)	Mexico	100%
Estrategias en Tecnología Corporativa, S.A. de C.V. (“Estratel”) <sup>(2)</sup>	Mexico	100%
Servicios Alestra TI, S.A. de C.V. <sup>(2)</sup>	Mexico	100%
Alestra Procesamiento de Pagos, S.A. de C.V. <sup>(2)(3)</sup>	Mexico	100%
La Nave del Recuerdo, S.A. de C.V.	Mexico	100%
Contacto IP FTTH de México, S.A. de C.V.	Mexico	100%
Alestra Servicios Móviles, S.A. de C.V. <sup>(2)</sup>	Mexico	100%
Fomento de Educación Tecnológica, S.C. <sup>(4)</sup>	Mexico	100%
Axtel Networks, S.A. de C.V.	Mexico	100%
Servicios Axtel Networks, S.A. de C.V.	Mexico	100%
AXE Redes e Infraestructura, S.A. de C.V.	Mexico	100%

(1) Leasing of telecommunications equipment and infrastructure.

(2) Telecommunications service provider.

(3) At the Extraordinary General Shareholders' Meeting held on December 1, 2021, shareholders agreed to the merger of Servicios Axtel, S.A. de C.V., Axes Data, S.A. de C.V., Contacto IP, S.A. de C.V., Instalaciones y Contrataciones, S.A. de C.V., and Ingeniería de Soluciones Alestra, S.A. de C.V. (as merged companies) with Alestra Procesamiento de Pagos, S.A.B. de C.V. (as the merging company); this merger has no impact on the Company's consolidated operations.

(4) Training and development services.

SINCE 2020 WE HAVE BEEN CERTIFIED  
IN ISO 37001:2016 ON ANTI-BRIBERY  
MANAGEMENT SYSTEMS AND WE  
VOLUNTARILY REGISTERED WITH  
THE BUSINESS INTEGRITY REGISTER  
OF THE MINISTRY OF PUBLIC  
ADMINISTRATION

## B U S I N E S S E T H I C S

Our business, decisions, actions, and commitments respect the highest standards of ethics, integrity and transparency. The document establishing the guidelines to be followed by all Axtel employees, managers, and directors is the **Code of Ethics**<sup>1</sup>, while for suppliers and anyone who provides professional services to the company, we have the **Supplier Code of Conduct**<sup>2</sup>.

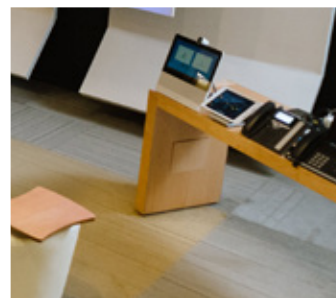
This document defines the principles for creating work environments that are respectful, non-discriminatory, equitable, inclusive, and open to dialogue, while also establishing the behaviors expected from employees in matters such as anti-corruption, bribery, conflicts of interest, political contributions, human rights, workplace harassment, health and safety, information confidentiality, marketing, communication, environmental protection, and community participation, among others.

<sup>1</sup> See our Code of Ethics: <https://www.axtelcorp.mx/codigo-de-etica/>

<sup>2</sup> See our Supplier Code of Conduct: <https://www.axtelcorp.mx/grupos-de-interes/>

Furthermore, to prevent and mitigate potential conflicts of interest that may arise from our business practices, we work in accordance with the BMV's Code of Principles and Best Practices of Corporate Governance. In the event of any conflict of interest we would disclose it to ALFA as it is one of our most important stakeholders.

Every year we perform different actions to reinforce the understanding and application of ethical conduct among our employees and other stakeholders.



### Employees

- We deployed a Code of Ethics update course taken by 3,850 employees.
- We informed 100% of employees of Axtel's Anti-Corruption Policy.
- We trained 3,913 employees, representing 92% of Axtel's total workforce, in anti-corruption.
- We received 4,138 signatures of the Information Conflict and Confidentiality Letter, in which employees reaffirm their acceptance and adherence to Axtel's values, principles, and provisions regarding ethics, labor, conflicts of interest, corporate security and privacy.

### Suppliers, contractors, and operations

- We requested the signature of acceptance and commitment to the Code of Ethics from our suppliers at the beginning of the business partnership.
- We informed 100% of active suppliers of our anti-corruption policies and procedures.
- We assessed 100% of our operations for corruption-related risks.
- We conduct a permanent inspection program with contractors to ensure there are no risks related to forced or child labor and that the necessary safety measures are taken to prevent accidents in the performance of their activities.



In the event of non-compliance with the Code of Ethics or any of our policies, we make the **ALFA Transparency Mailbox** available to our employees, suppliers, and any stakeholder in several languages and via different channels 24 hours a day, 365 days a year, so they can confidentially and anonymously file a complaint if they so wish.

Since 2020 we have had a Compliance Officer whose function is to monitor and supervise adherence to internal standards and ethical conduct within Axtel.

SINCE 2020 WE HAVE BEEN CERTIFIED IN ISO 37001:2016 ON ANTI-BRIBERY MANAGEMENT SYSTEMS AND WE VOLUNTARILY REGISTERED WITH THE BUSINESS INTEGRITY REGISTER OF THE MINISTRY OF PUBLIC ADMINISTRATION



## COMPLAINT CHANNELS ALFA TRANSPARENCY MAILBOX



**E-mail:**  
buzon@alfa.com.mx,  
transparenciaaxtel@axtel.com.mx



**Whatsapp/SMS:**  
+52 1 81 2353 9853



**Toll-free numbers:**  
800 265 2532 (Mexico),  
1 866 482 1957 (United States)  
and 1 866 238 2860 (Canada)

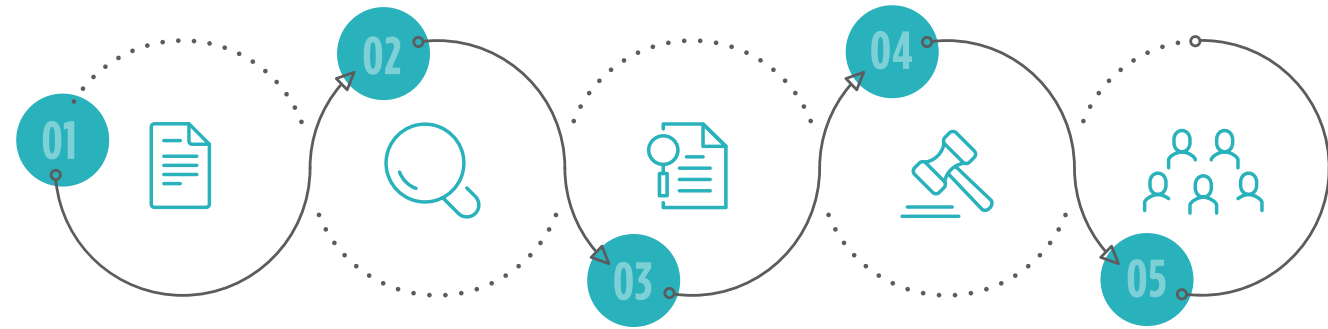


**Website:**  
www.alfa.com.mx/buzon.html



**Human resources:**  
direct contact or by email

## PROCESS FOR RECEIVING AND ADDRESSING COMPLAINTS



The complaint is received in the ALFA Transparency Mailbox.

It is analyzed and assigned to the responsible areas for investigation.

Results are received for review. Sensitive cases are reviewed by Internal Auditing.

A case closure authorization meeting is held.

The results are submitted to the Audit and Corporate Practices Committee.



In 2021 the ALFA Transparency Mailbox received 27 complaints corresponding to Axtel. Of these complaints and others that remained pending from the previous year, 24 were addressed and fully resolved during this period, while six are still being processed and another six were considered unfounded.

Since 2020 these channels have been available to receive complaints related to non-compliance with the hygiene and safety protocols defined in the face of the health crisis due to COVID-19. This year we have received no complaints on this subject.

Regarding cases of corruption, discrimination, conflicts of interest, anti-competitive practices, violations of human rights, privacy or leakage of customer data, we received no complaints in 2021. There were also no critical concerns to notify to the Board of Directors in 2021.



### COMPLAINTS RECEIVED IN THE ALFA TRANSPARENCY MAILBOX

Transparency mailbox complaints		
Type of complaints	Number	Percentage
Inappropriate treatment of employees	5	19%
Asset preservation	0	0%
Inappropriate treatment of customers	4	15%
Policy compliance	0	0%
Personal relationships	0	0%
Conflicts of interest	1	4%
Others	17	63%
<b>Total</b>	<b>27</b>	<b>100%</b>

We did not receive any significant fines nor did we record any legal actions or monetary losses related to unfair competition practices or non-compliance with standards or voluntary codes on marketing communications.



## HUMAN RIGHTS

At Axtel, we promote and implement respect for human rights and people's freedom as part of our **Human Rights Policy**<sup>1</sup> which is applicable to all employees, customers, suppliers, and stakeholders.

Our Code of Ethics, Supplier Code of Conduct, Diversity and Inclusion, Hiring and Recruitment policies, as well as Axtel's adherence to the principles of the United Nations Global Compact, support our commitment to operate and manage our business with absolute respect for the human rights of our employees and along the entire value chain.

## AXTEL'S HUMAN RIGHTS POLICY IS BASED ON THE **UNIVERSAL DECLARATION OF HUMAN RIGHTS** AND THE RECOMMENDATIONS OF THE **INTERNATIONAL LABOR ORGANIZATION (ILO)**

At Axtel we reject any act of discrimination, child exploitation, forced labor, violation of the rights of indigenous peoples, abuse, coercion, impediment to association or collective bargaining, and/or threats, particularly towards vulnerable or disadvantaged stakeholders.

In 2021 we trained 100% of our security personnel and 92% of our employees on issues related to respect for human rights.



<sup>1</sup> See our Human Rights Policy: [https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica\\_Derechos\\_Humanos.pdf](https://www.axtelcorp.mx/sites/axtelcpo.mx/files/Politica_Derechos_Humanos.pdf)

THE BOARD OF DIRECTORS, THROUGH THE AUDIT COMMITTEE, **IS PRIMARILY RESPONSIBLE FOR MANAGING TAX RISKS THROUGH THE APPLICATION OF POLICIES**, TOOLS, AND PERIODIC REVIEWS THAT ALLOW THE TIMELY IMPLEMENTATION OF PREVENTIVE OR CORRECTIVE ACTIONS FROM A TAX STANDPOINT

## FINANCIAL OUTLOOK

Comprehensive management of financial issues linked to environmental, social, and governance (ESG) issues is key to ensuring the long-term sustainability of our business, but above all, to adapting to new customer and market requirements with innovative solutions that meet their needs.

As part of the market, our operations are subject to many forms of regulation, including tax regulations. We have a tax policy that establishes the general guidelines for tax planning, operation, and regulation in Axtel through the application of and adherence to current tax provisions, and the preparation of the five-year tax plan based on the latest business plan approved by the Board of Directors and the corporate comptroller's office. This strategy is reviewed annually.





**FLOW BY QUARTER IN 2021**

(millions of Mexican pesos)

**1Q:** 916



**2Q:** 1,141



**3Q:** 912



**4Q:** 824



**SALES BY QUARTER**

(millions of Mexican pesos)

**1Q:** 2,835



**2Q:** 2,983



**3Q:** 2,759



**4Q:** 2,812



**FLOW BY YEAR**

(millions of Mexican pesos)

**2018\*:** 4,174



**2019\*:** 4,236



**2020\*\*:** 6,327



**2021:** **3,793**



**SALES BY YEAR**

(millions of Mexican pesos)

**2018\*:** 12,526



**2019\*:** 12,528



**2020:** 12,356



**2021:** **11,389**



\*For comparative purposes, adjusted from divestiture of data center business.

\*\*Includes Ps. 2,021 billion in benefit from divestiture of data centers.

**RELEVANT FIGURES**

(millions of Mexican pesos)

Axtel and Subsidiaries	2021	2020	% Change
<b>Results</b>			
Revenue	11,389	12,356	-8%
Operating income <sup>(2)</sup>	292	2,773	-89%
(Loss) Net income	(797)	361	--
Earnings per share <sup>(1)</sup>	(0.04)	0.018	--
Flow <sup>(2)</sup>	3,793	6,327	-40%
<b>Balance Sheet</b>			
Total Assets	19,974	23,704	-16%
Total Liabilities	17,105	20,209	-15%
Total Stockholders' Equity	2,870	3,495	-18%
Book Value per Share <sup>(1)</sup>	0.14	0.18	-18%

<sup>(1)</sup> 1 AxtelCPO equals 7 shares.<sup>(2)</sup> Includes Ps. 2,021 billion benefit from divestiture of data centers.**RELEVANT FIGURES**

(millions of Mexican pesos)

Year	Flow	Sales	Total Assets
2018 <sup>(3)</sup>	4,174	12,526	28,156
2019 <sup>(3)</sup>	4,236	12,528	24,331
2020 <sup>(4)</sup>	6,327	12,356	23,704
2021	3,793	11,389	19,974

<sup>(3)</sup> For comparative purposes, adjusted from divestiture of data center business.<sup>(4)</sup> Includes Ps. 2,021 billion in benefit from divestiture of data centers.

**MANAGEMENT'S DISCUSSION AND ANALYSIS** ON THE COMPANY'S  
OPERATING RESULTS AND FINANCIAL SITUATION  
Operating results for the years ended December 31, 2021, and December 31, 2020

## Revenues

For the year ended December 31, 2021, total revenues were Ps. 11,389 million, an 8% decrease compared to 2020, mainly due to a 10% decline in Alestra's revenues, partially mitigated by a 1% increase in Infrastructure revenues.

The Company's revenues are derived from the following business units:

### Infrastructure Business Unit ("Axtel Networks")

2021 revenues totaled Ps. 5,017 million, 1% higher than 2020, due to a 1% increase in third-party revenues, mainly driven by a strong performance of dark fiber contracts to mobile and wholesale customers. Revenues coming from Alestra remained flat and represented 49% of total Infrastructure Unit's revenues.

### Services Business Unit ("Alestra")

Revenues for 2021 were Ps. 8,828 million; 10% lower compared to 2020; due to 4% and 33% declines in revenues from the Enterprise and Government segments, respectively.

**Enterprise segment.** In 2021, revenues amounted Ps. 7,492 million, a 4% decline compared to 2020, due to a 7% decrease in standard services, partially mitigated by an 11% increase in digital transformation services revenues.

**Standard Services.** In 2021, revenues recorded Ps. 5,005 million, a 7% decrease compared to 2020, mainly due to a 23% drop in voice revenues, as a result of its maturing technological cycle and the adoption of collaboration solutions; as well as a 2% decline in data and internet solutions and a 5% drop in VPN & Ethernet, explained by a lower volume of services with corporate clients, many of whom downsized their operations.

**Value Added.** 2021 revenues reached Ps. 998 million, 9% lower than 2020, mainly due to a 12% decrease in managed services revenues.

**Digital Transformation.** Revenues totaled Ps. 1,488 million, an 11% increase compared to 2020, driven by double-digit growth in cloud, cybersecurity and managed applications services.

**Government segment.** In 2021, revenues totaled Ps. 1,336 million, compared to Ps. 1,990 million in 2020, a 33% decrease. These results are due to the termination of contracts, a decline in acquisitions and fewer non-recurring revenues, mainly with federal entities. The Company maintains its effort to seek value-added opportunities with the federal government and further diversify into projects with state and local governments.

**Standard Services.** In 2021, revenues amounted Ps. 595 million, a 38% decrease compared to 2020.

**Value Added.** For 2021, revenues recorded Ps. 419 million, a 25% decrease.

**Digital Transformation.** In 2021, revenues reached Ps. 322 million, a 31% decrease,, mainly due to a decline in managed application solutions.

## Gross Profit

Gross profit is defined as revenues minus cost of revenues. In 2021, gross profit totaled Ps. 8,251 million, a 7% decrease, in line with revenues. Gross profit margin remained constant at 72%, from 2020 to 2021.

**Services Unit (Alestra).** Gross profit totaled Ps. 3,650 million, a 15% decline compared to 2020, mainly due to the declines in revenues previously described for both the Enterprise and Government segments, and to the lower margin of the enterprise segment.

**Infrastructure Unit (Axtel Networks).** Gross profit was Ps. 4,601 million, flat compared to 2020.

**Operating expenses and other income (expenses).** For 2021, operating expenses totaled Ps. 4,426 million, a 7% decrease compared to 2020, due to a 15% decrease in the Services unit operating expenses.

**Services Unit (Alestra).** Operating expenses declined 15% compared to 2020, mainly as a result of declines in personnel, debt provision charges and maintenance expenses.

**Infrastructure Unit (Axtel Networks).** Expenses increased 2% compared to 2020, mainly due to an increase in tower rents, partially mitigated by reductions in real estate leases and basic services.

For 2021, other expenses represented Ps. 32 million, mostly related to organizational efficiencies recorded in the fourth quarter of the year; compared to other income of Ps. 2,170 million in 2020, figure that includes a Ps. 2,021 million benefit from the data center transaction in the first quarter of 2020 and a Ps. 90 million benefit from the spectrum transaction in the second quarter of the same year.

## EBITDA

EBITDA totaled Ps. 3,793 million, 10% lower than 2020 Comparable EBITDA. For 2021 the EBITDA margin was 33.3%, lower than the 34.1% registered in 2020, as efficiencies in operating expenses did not compensate the decline in gross profit.

**Services Unit (Alestra).** (41% of Axtel's YTD EBITDA) In 2021, EBITDA totaled Ps. 1,538 million; 18% lower than 2020 due to the drop in gross profit, partially mitigated by the reduction in operating expenses.

**Infrastructure Unit (Axtel Networks).** (59% of Axtel's YTD EBITDA) In 2021, EBITDA totaled Ps. 2,254 million; 4% lower than 2020, explained by the higher operating and other expenses.

### Operating Income

For 2021, the Company recorded an operating income of Ps. 292 million compared to Ps. 2,772 million in 2020, figure that includes the Ps. 2,021 million benefit of the data center transaction and the Ps. 90 million benefit from the spectrum transaction. In the fourth quarter of 2021, the Company recognized an impairment of Ps. 290 million in minority-participation investments.

### Comprehensive Financial Result, net

The comprehensive financial cost of Ps. 1,441 million for 2021, was 11% lower than the Ps. 1,619 million cost in 2020, mostly due to a 13% decline in interest expense.

### Taxes

During 2021, income tax represented a benefit of Ps. 352 million, compared to a tax expense of Ps. 793 million in 2020. The difference is mainly due to the recognition of the inflation effects on the Company's assets, as well as the increase in tax losses generated in the same year and those of previous years.

### Net Income (Loss)

The Company recorded a net loss of Ps. 797 million in the year 2021, compared to a net income of Ps. 361 million registered in 2020. The variation is mainly explained by the benefits of data center and spectrum transactions in 2020; partially mitigated by the lower comprehensive financial cost and tax benefit in 2021 previously described.

### Capital Investments

In 2021, capital Investments in acquisitions of property, plant and equipment and intangibles totaled Ps. 1,533 million, 29% lower compared to Ps. 2,144 million in 2020. The 2020 figure includes an extraordinary investment of US \$22 million related to the renovation of spectrum frequencies and excludes US \$167 million benefit from the data center divestment. In 2021, 65% of the investments were allocated to the Infrastructure Unit and 35% to the Services Unit.

## Financial Position as of December 31, 2021, and as of December 31, 2020

**Assets.** As of December 31, 2021, total assets amounted Ps. 19,974 million compared to Ps. 23,704 million as of December 31, 2020, a decrease of Ps 3,729 million, or 16%.

**Cash and equivalents.** As of December 31, 2021, cash and equivalents totaled Ps. 1,614 million compared to Ps. 3,124 million as of December 31, 2020, a decrease of Ps. 1,510 million or 48%, largely derived from the US\$60 million redemption of the 2024 Senior Notes (“Notes”) in March 2021, as well as the US\$20 million payment of one of the committed line facilities in September 2021.

**Accounts Receivable.** As of December 31, 2021, accounts receivable amounted Ps. 1,695 million compared to Ps. 1,795 million as of December 31, 2020, a decrease of Ps. 100 million, or 6%.

**Property, systems and equipment, net.** As of December 31, 2021, property, systems and equipment, net, were Ps. 10,133 million compared to Ps. 11,578 million as of December 31, 2020. Without deducting accumulated depreciation, Property, systems, and equipment totaled Ps. 47,995 million and Ps. 50,791 million as of December 31, 2021, and 2020, respectively.

**Liabilities.** As of December 31, 2020, total liabilities amounted to Ps. 17,105 million compared to Ps. 20,209 million as of December 31, 2020, a decrease of Ps 3,104 million or 15%, due to a reduction in debt, mainly due to the US \$60 million prepayment of the Notes in March 2021, the payment of US \$20 million of a committed line facility in September 2021 and the full prepayment of short-term lines that were drawn down to strengthen liquidity against COVID-19.

**Accounts payable.** As of December 31, 2021, accounts payable amounted to Ps. 2,138 million compared to Ps. 2,376 million as of December 31, 2020, a decrease of Ps. 238 million or 10%.

**Debt.** As of December 31, 2021, net debt was US \$574 million, a decrease of 5% or US \$28 million in comparison with year-end 2020; comprised of a US \$113 million decrease in debt, a US \$6 million non-cash decrease in debt caused by a 3% depreciation of the Mexican peso year-over-year and a US \$91 million decrease in cash.

Total debt reduction of US \$113 million year-over-year is explained by i) a US \$60 million decrease related to the partial redemption of the 2024 Senior Notes in March 2021; ii) a US \$36 million decrease in bank loans, including the US \$20 million reduction in the drawn down amount under a committed line facility in September 2021; iii) a US \$13 million decrease in other loans and financial leases; and iv) a US \$4 million decrease due to the amortization of the long-term facility.

**Stockholders' equity.** As of December 31, 2021, the Company's stockholders equity amounted Ps. 2,870 million compared to Ps. 3,495 million as of December 31, 2020, a decrease of Ps. 625 million or 18%. The capital stock totaled Ps. 464 million as of December 31, 2021, and 2020.

## Cash Flow

As of December 31, 2021, cash flow from operating activities reached Ps. 3,292 million, compared to a cash flow of Ps. 4,208 million as of December 31, 2020.

As of December 31, 2021, the Company had generated (used) cash flows from investment activities for (Ps. 1,268 million), compared to Ps 729 million as of December 31, 2020. Investments in property, systems and equipment and intangibles were (Ps. 1,533) million as of December 31, 2021, and Ps. 1002 million as of December 31, 2020. The 2020 figure includes a benefit of Ps. 3,145 million from the data centers divestment, without considering this benefit, investments totaled Ps. (2,144) million.

As of December 31, 2021, the cash flow (used in) generated by financing activities was Ps. (3,602) million, compared to Ps. (2,601) million as of December 31, 2020.

As of December 31, 2021, the net debt to EBITDA ratio and the interest coverage ratio were 3.1x and 3.3x, respectively. Likewise, as of December 31, 2020, the net debt to EBITDA and interest coverage ratios were at 2.0x and 5.1x, respectively. Pro forma interest expenses are used for the calculation of interest coverage ratio.

## Liquidity and Capital Resources applicable for years 2021, 2020 and 2019

On November 9, 2017, Axtel issued Senior Notes in the international market and listed on the Irish Stock Exchange under a private offering under Rule 144A and Regulation S of the Securities Law from 1933 of the United States of America, for an amount of US\$ 500 million, gross of issuance costs of US\$7 million. The Senior Notes will accrue an annual coupon of 6.375% maturing in 7 years. The proceeds were mainly used to prepay the existing debt related to the syndicated loan signed on January 15, 2016, and various transaction costs and expenses. In March 2021, Axtel prepaid US \$60 million of its Notes at a price of 104.781%, with the remaining resources from the data center transaction formalized in January 2020. To date, the balance of the Notes is US\$ \$440 million.

Additionally, Axtel has a bilateral loan with Export Development Canada for up to US\$50 million, or its equivalent in pesos, due in June 2024. On September 27, 2021, the Company prepaid US \$20 million of the loan principal in dollars. As of December 31, 2021, the drawn balance is US \$29 million.

Although the Company believes that it will be able to meet its debt obligations and finance its operating needs in the future with the operating cash flow, the Company may periodically seek to obtain additional financing in the capital market depending on market conditions and its financial needs. The Company will continue to focus its investments on fixed assets and manage its working capital, including the collection of its accounts receivable and the management of its accounts payable.