



**FORTIS**

# TCFD and Climate Assessment

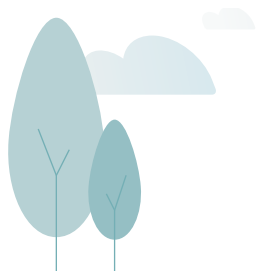
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2022



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## Message from Chair of the Board and President & CEO

### Delivering a cleaner energy future

The energy industry is transforming. Fortis is creating and executing a strategy to ensure we remain a leader as we transition to a more sustainable, low-carbon economy. This means spurring innovation, embracing change, working closely with the communities we serve, and recognizing new growth opportunities. It also means investing capital in clean energy, resiliency and modernization so we can deliver more renewable energy to customers reliably and safely, with infrastructure that can operate in more extreme weather conditions.

*Fortis is an energy delivery company.*

Together our group of companies are driven by our purpose to deliver a cleaner energy future.

We participated in COP26 as part of the Canadian delegation this past fall. This gathering of world leaders emphasized that we are experiencing a critical time for our planet. The commitments made at COP26 should accelerate action to reduce carbon emissions and limit global warming.

*Climate change impacts are accelerating.  
We all need to act.*

Through 2021, we achieved a 20% emissions reduction relative to 2019. Upon achieving our 75% target in 2035, 99% of Fortis assets are expected to be focused on energy delivery and renewable, carbon-free generation.

We are a Task Force for Climate-Related Financial Disclosures (“TCFD”) supporter and are committed to implementing the recommendations of the task force. We recently conducted a climate scenario analysis as part of our TCFD commitment to better understand the resiliency of our strategy to respond and mitigate climate-related risks. This document summarizes our key climate-related risks and opportunities. Five of our largest utilities assessed the impact of four climate-related scenarios on

their operations. The findings will guide our strategy and actions to combat climate change, identify new opportunities associated with decarbonization and will aid us in proactively preparing for the consequences of a warming planet.

Fortis is acting now by making substantial progress on our **Scope 1 emissions reduction target of 75% by 2035** from a 2019 base year.

Every step we take to reduce our emissions and deliver more renewable energy to customers adds value and demonstrates our commitment to a sustainable future.



**Douglas J. Haughey**  
Chair of the Board  
Fortis Inc.



**David G. Hutchens**  
President and CEO  
Fortis Inc.

## Q&A with EVP, Sustainability & CHRO

### Taking climate action now to prepare for our future



#### Nora M. Duke

Executive Vice President,  
Sustainability & Chief  
Human Resource Officer  
Fortis Inc.

#### How is Fortis preparing for climate change?

We are proactively preparing for and mitigating climate change in a variety of ways. We operate in 17 jurisdictions throughout North America, so each Fortis utility tailors its climate change strategy based on local geography, business focus and policy environment.

A focus on climate change benefits the communities we serve and creates shareholder value. It's a key part of our short, medium and long-term planning.

We are focused on adding more renewable generation, ensuring our systems are adapting to deliver more renewable energy and are able to withstand the extreme weather and other impacts related to climate change. These main areas help guide our long-term strategy, capital planning, and risk management program. We have a corporate-

wide target to reduce Scope 1 emissions 75% by 2035 from a 2019 base year. We've achieved a 20% reduction to date, and we detail in this report the specific actions we are taking to meet our target. We are also strengthening the linkage of short and long-term executive compensation to our sustainability goals.

#### What did Fortis learn by completing its first climate-related scenario analysis?

Our analysis included an in-depth assessment of our ability to continue to deliver energy safely and reliably to our customers under four different climate scenarios at our five largest utilities.

We learned companies in the energy industry face significant transition risk, particularly in lower-carbon scenarios. Policy and regulatory advancements are required for the clean energy transition to successfully occur.

As the energy transition unfolds, customer affordability and system reliability will remain key pillars of our long-term business strategy. The physical risks associated with climate change are already upon us, requiring increased adaptation investment to ensure our infrastructure can operate in a warming planet.

While there is risk, we also confirmed there is opportunity. Innovation is needed to enable

scalable, commercially viable energy solutions for carbon capture and storage technology, and hydrogen availability. Increased electrification will create opportunity to deliver more energy to customers. Fortis is active in the change taking place and is investing in our infrastructure to solidify our position in the North American utility industry for years to come.

#### How will climate-related disclosures continue to evolve at Fortis?

The last five years have brought new disclosure expectations and Fortis is committed to aligning our disclosures with leading frameworks. We became a TCFD supporter in 2021 and have committed to adopting the TCFD recommendations. This report is a significant step forward. Our commitment to TCFD will remain a priority for Fortis.

Climate-related risks and opportunities will become further embedded into our strategy, capital plans, financial disclosures, and risk management. We remain committed to transparent reporting to help stakeholders better understand the steps we are taking to advance climate action. We are open, engaged and eager to keep listening to stakeholders to help guide our climate change priorities.







PURPOSE

# Delivering a cleaner energy future

VALUES

 <p>We never compromise on <b>safety</b></p>	 <p>We act with <b>courage</b> and <b>integrity</b></p>	 <p>We are <b>community</b> champions</p>	 <p>We aim for <b>excellence</b> every day</p>
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 <p>We value our <b>people</b></p>	 <p>We keep it <b>local</b></p>
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### Three Distinct Characteristics of Fortis:

- 1. We are an energy delivery business**  
Energy delivery assets comprise 93% of total Fortis assets.
- 2. We have regulatory and geographic diversity**  
99% regulated with operations in 17 jurisdictions in Canada, the U.S. and the Caribbean. We are one of the most geographically diverse utility businesses on the continent with our utilities operating in different regulatory environments.
- 3. We have a decentralized business model with local leadership**  
Fortis utilities operate close to their customers and regulators with their own executive teams and a majority of independent boards of directors. Together our large family of utilities drive operational excellence, innovation and sustainability.

### The Benefits of the Fortis Approach:

- Ensures flexibility and local responsiveness for **customers**
- **Minimizes** overall business risk
- Delivers **financial scale** and **strategic direction**
- Empowers our utilities to **innovate** and **grow**
- Creates a durable **competitive advantage** that supports **growth** and long-term value

<p>Scope 1 emissions reduction target of <b>75%</b> by 2035 from a 2019 base year</p>	<p><b>20%</b> emissions reduction achieved through 2021 relative to 2019</p>	<p><b>99%</b> of assets are expected to be focused on energy delivery and renewable, carbon-free generation by 2035</p>
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# Governance

## Strong oversight and management of climate-related risks and opportunities

The Fortis strategy is focused on managing climate-related risks and opportunities.

### The Fortis Governance Model

The Fortis Inc. Board of Directors is responsible for the stewardship of Fortis on behalf of our shareholders and other stakeholders. The Board ensures effective leadership and provides oversight for strategy, succession planning, leadership diversity, risk management, sustainability, and corporate governance.

#### Board of Directors

### Three standing committees

help the Board carry out its responsibilities:



Each committee has a written mandate that sets out its responsibilities and areas of focus. The mandates are reviewed regularly to capture best practices and applicable regulatory requirements.

### We believe an effective board must be independent, diverse, and qualified

All Fortis directors are independent except for President and Chief Executive Officer David Hutchens. Fortis has an independent Board Chair and the roles of the Chair and CEO are separate.

All three board committees are independent, and the chair of the Board is a member of each committee for continuity and consistency. The Board and committees meet without management present at every meeting. Additionally, term limits for board members are in place to help ensure independence, a diversity of views, and fresh insight.



### Governance at Fortis Utilities

Aligned with our decentralized business model and focus on independent governance, each subsidiary is governed by its own board of directors. Each of our significant subsidiaries has an independent Board Chair and a majority of independent board members who generally reside in the subsidiary's service territory.

This structure provides focused risk management oversight and governance, while operating within the broad parameters of Fortis policies, guidelines and best practices.

## Board Oversight of Climate-Related Risks and Opportunities

The Board is responsible for understanding the material risks of our business and the mitigation strategies to ensure we achieve our strategic objectives.

Climate-related matters are discussed as part of board strategy sessions. The Governance and Sustainability Committee assists the Board in overseeing our governance practices as well as our sustainability commitments.

The committee receives a **report on sustainability** at each regularly scheduled meeting that includes updates on climate-related matters.

The Governance and Sustainability Committee met seven times in 2021. The committee reviews short and long-term sustainability objectives and our progress against these objectives, including our carbon reduction target. The committee also advises the Board on the status and adequacy of efforts to ensure business is conducted in a highly sustainable manner.

### Board of Directors – Continuing Education

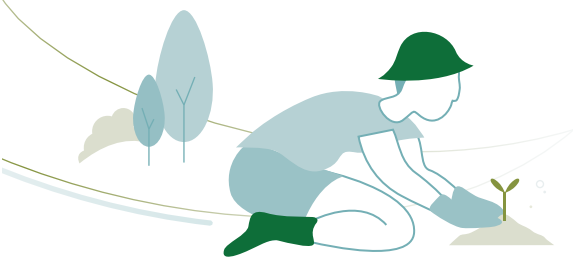
All directors are expected to maintain a current understanding of our business, the regulated utility sector, and energy trends. In 2021, all directors participated in 12 education sessions, eight of which focused on climate-related topics.

## Climate Considerations Linked to Executive Compensation

Achieving our sustainability objectives is a focus for the Board and forms part of Fortis executive compensation.

Sustainability performance impacts how all Fortis executives are compensated.

In 2022, sustainability performance measures for annual incentive purposes will focus on climate, people, and reliability. The weighting will increase to 40% from 30%, reflecting our focus on this critical area. Also in 2022, long-term incentive plans will include a measure associated with reducing carbon emissions for all executives throughout the Fortis group of companies.





## Management’s Role in Assessing and Managing Climate-Related Risks and Opportunities

Roles and responsibilities related to sustainability are assigned throughout the Fortis group of companies.

The Corporation’s sustainability commitment identifies our areas of focus to preserve the environment, combat climate change, and deliver value for customers, employees, and other stakeholders while maintaining strong governance practices across our group of companies.

### Assessing and Managing Climate-Related Risks and Opportunities at Fortis Utilities

Local boards of directors and management teams at each Fortis utility are responsible for establishing sustainability objectives within the broader Fortis framework while considering local operational aspects. Each Fortis utility board includes representation from the Fortis Inc. executive to offer input on broader Fortis perspectives and objectives.

Each utility sets and reviews its own environmental objectives, targets and programs. New capital projects are assessed to identify and determine potential impacts on carbon reduction targets. Environmental compliance programs are in place that are aligned with the ISO 14001 standard and utilities regularly review environmental management systems and protocols as they strive for continued improvement.

## Responsibility for Climate-Related Matters

**President & CEO of Fortis Inc.** is responsible for the long-term success of Fortis and our sustainability strategy, reporting directly to the Board of Directors.

**Executive Vice President, Sustainability & Chief Human Resource Officer of Fortis Inc.** is responsible for enterprise-wide sustainability and stewardship, including the assessment and management of climate-related risks and opportunities. The Executive Vice President, Sustainability & CHRO reports directly to the President & CEO and regularly provides updates to the Fortis Inc. Board and the Governance and Sustainability Committee.

**Fortis Sustainability Working Group**, a group of key leaders from across Fortis utilities, enables communication and sharing of information on sustainability performance, issues, risks, and opportunities.

**Fortis Operating Group**, a group of senior operational executives from all utilities, meet regularly to share best practices and identify opportunities for collaboration on a range of topics including environment, health, and safety.

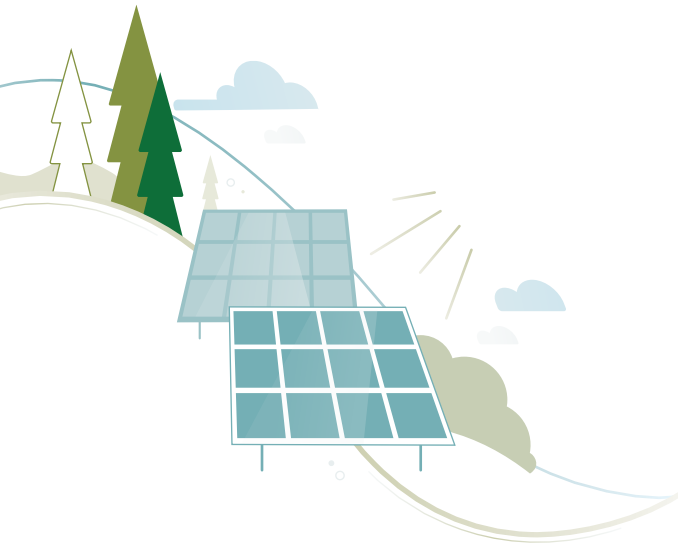
**Fortis Inc. Sustainability Team** ensures management is informed of climate-related matters. The team collects and validates data provided by Fortis utilities to monitor progress in such areas as our corporate wide-carbon emissions reduction target.

# Strategy

## Climate-related scenario analysis

In 2021, Fortis undertook its first climate-related scenario analysis. Our objectives were to:

- inform our business strategy, financial planning and approach to managing climate-related risks and opportunities; and,
- inform stakeholders of our strategy's robustness and the ability of Fortis to successfully operate in a world increasingly impacted by climate change.



**The five largest Fortis utilities were included in our climate-related scenario analysis:**

- ITC Holdings Corp.
- UNS Energy (including Tucson Electric Power)
- FortisBC
- Central Hudson
- FortisAlberta

**Collectively, these five utilities account for:**

- More than **90%** of Fortis earnings, assets and rate base;
- **93%** of Fortis direct GHG emissions;
- **77%** of Fortis electricity customers and **82%** of electricity sales; and
- **100%** of Fortis natural gas customers and natural gas sales.

Plans are underway to conduct climate-related scenario analysis with the remaining Fortis utilities.

## Our Process to Conduct Climate-Related Scenario Analysis

Our approach to climate-related scenario analysis was comprehensive, involving senior leadership and subject matter experts throughout the Fortis group of companies. To support the process, Fortis engaged an external advisor with expertise in TCFD, including scenario analysis. The advisor provided climate-science forecasting, facilitated climate-analysis workshops and guided best practices associated with scenario analysis and TCFD reporting.

Climate and low-carbon transition-related data was sourced from government and international organizations and reports including the Intergovernmental Panel on Climate Change Assessment Reports, International Energy Agency, U.S. National Climate Assessment Reports and The Climate Atlas of Canada. This data was used to build different climate futures and to analyze climate-related risks and opportunities related to these different pathways.

A climate analysis team was assembled that included a team lead from each of the five utilities involved in this analysis. The team was guided by three senior Fortis executives: Executive Vice President, Sustainability and Chief Human Resource Officer; Executive Vice President, Chief Legal Officer and Corporate Secretary; and Executive Vice President, Operations and Innovation.

Education sessions were held with the executive team at Fortis and the Board of Directors. The Governance and Sustainability Committee, which oversees sustainability at Fortis, was engaged throughout the process and approved this report.

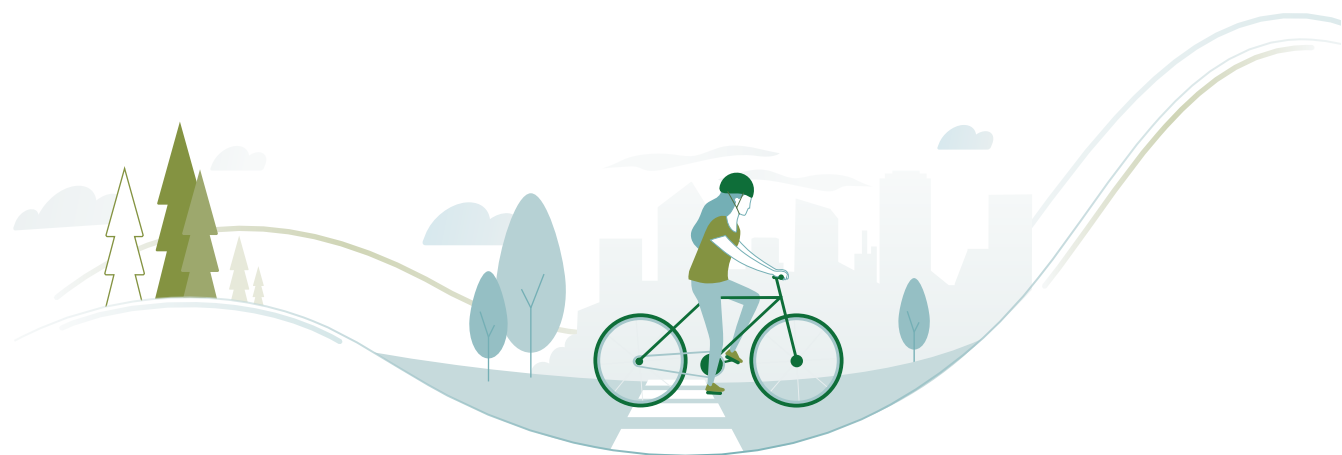
A total of ten climate analysis workshops were conducted examining four different climate change scenarios of the future. Workshops included representation from environmental, engineering, resource planning, finance, and legal groups. Utility executives responsible for climate-related matters participated in the workshops, including the respective President and CEOs.

Scientific data informed our scenario analysis. During each workshop, utilities considered relevant climate-related scientific data specific to each

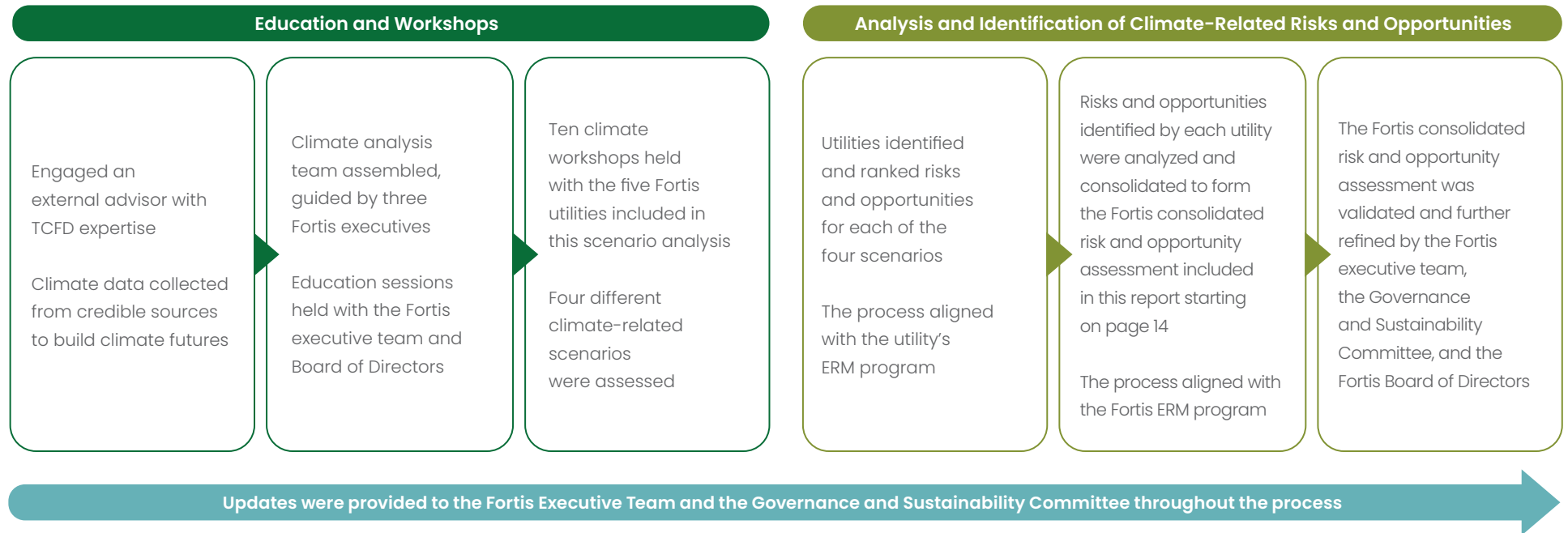
jurisdiction. This included appropriate meteorological data such as projected changes in temperature, precipitation patterns, rising sea levels, extreme weather events, and other climate outcomes in order to assess physical risks. Variables such as future energy demand profiles, renewable energy supply, energy infrastructure investments, and carbon pricing were examined to assess transition risks and opportunities. Global-scale energy sector forecast information was also considered. In the future, advancements in scientific data will be required to update industry design standards to ensure utility infrastructure remains resilient in response to climate change.

Risks and opportunities were identified and ranked by each utility using a process that aligned with its Enterprise Risk Management program.

The consolidated climate-related risks and opportunities were validated and further refined by the Fortis executive team, the Governance and Sustainability Committee, and the Fortis Board of Directors.



Summary of Our Process to Conduct Climate-Related Scenario Analysis



**Four Climate-Related Scenarios Were Assessed**

As recommended by TCFD, we assessed a total of four climate-related scenarios, including a 2° Celsius scenario and below 2° Celsius scenarios.

Scenarios were selected based on relevancy to our business and were assessed across different dimensions (strategic, operational, reputational, and financial), along

the value chain, across our operational footprint, and over different periods of time. Of the scenarios chosen, two were lower-carbon scenarios and two were higher-carbon scenarios. While many of the climate temperatures stated in these scenarios reach out to the end of the century, changes to energy systems were modelled from today out to 2050 or 2060.

<p><b>Global Net-Zero Scenario</b></p> <p><i>50% probability of 1.5°C warming by 2100 without negative emissions</i></p>	<p><b>Low-Carbon Scenario</b></p> <p><i>50% probability of 1.65°C warming by 2100 without negative emissions</i></p>	<p><b>2° Scenario</b></p> <p><i>Limits global warming to 2°C by 2100</i></p>	<p><b>High-Carbon Scenario</b></p> <p><i>2.7°C – 3.7°C global warming by 2100</i></p>
<p><b>Net-Zero Emissions Status:</b> The global economy reaches net-zero emissions by 2050</p>	<p><b>Net-Zero Emissions Status:</b> The global power sector reaches net-zero emissions by 2050</p>	<p><b>Net-Zero Emissions Status:</b> The global power sector reaches net-zero emissions by 2060</p>	<p><b>Net-Zero Emissions Status:</b> Assumes only stated and announced policies are implemented over time</p>
<p><b>Energy Mix:</b></p> <ul style="list-style-type: none"> <li>Renewables in the global electricity supply increase to 60% by 2030 and nearly 90% by 2050</li> <li>No new oil, gas or coal developments approved</li> <li>Share of low-carbon hydrogen and hydrogen-based fuels reach 13% by 2050</li> </ul>	<p><b>Energy Mix:</b></p> <ul style="list-style-type: none"> <li>Renewables in the global electricity supply increase to 30% by 2030</li> <li>Fossil fuel for generation and end usage are drastically reduced</li> </ul>	<p><b>Energy Mix:</b></p> <ul style="list-style-type: none"> <li>Renewables in global electricity supply increase to 24% by 2030</li> <li>Production of low-carbon hydrogen globally increases tenfold from 2030-2050</li> <li>Over 80% of global decline in coal stemming from reductions in the power sector</li> </ul>	<p><b>Energy Mix:</b></p> <ul style="list-style-type: none"> <li>Renewables grow only about half as much as in the Low-Carbon Scenario</li> <li>Natural gas demand similar to today</li> <li>Hydrogen-based fuels similar to today (1% of global energy demand)</li> </ul>
<p><b>Market Changes:</b></p> <ul style="list-style-type: none"> <li>Significant increase in energy efficiency and electrification</li> <li>Electricity consumption accounts for almost 50% of total energy consumption by 2050</li> <li>Electric vehicles grow to more than 60% of global vehicle sales by 2030</li> </ul>	<p><b>Market Changes:</b></p> <ul style="list-style-type: none"> <li>Significant increase in electricity consumption driven by transportation</li> <li>Together, increases in energy efficiency and cleaner capital investments accelerate net-zero targets and the clean energy transition</li> </ul>	<p><b>Market Changes:</b></p> <ul style="list-style-type: none"> <li>Implementation of energy efficient, low-carbon technologies is more staggered in comparison to the Global Net-Zero and Low-Carbon Scenarios</li> <li>Electrification important for the transportation sector</li> </ul>	<p><b>Market Changes:</b></p> <ul style="list-style-type: none"> <li>Coal demand falls and oil demand flattens in 2030</li> <li>Renewables make up the majority of supply for new electricity demand</li> <li>Electrification increases from today, but is significantly less than the Global Net-Zero and Low-Carbon Scenarios</li> </ul>
<p><b>Transition and Physical Risks:</b></p> <ul style="list-style-type: none"> <li>The highest transition risks and lowest physical risks of all scenarios assessed</li> </ul>	<p><b>Transition and Physical Risks:</b></p> <ul style="list-style-type: none"> <li>Physical risks similar to the Global Net-Zero scenario</li> <li>Continued warming and extreme weather events are expected</li> </ul>	<p><b>Transition and Physical Risks:</b></p> <ul style="list-style-type: none"> <li>Physical impacts are significant in comparison to today</li> </ul>	<p><b>Transition and Physical Risks:</b></p> <ul style="list-style-type: none"> <li>The highest physical risks and lowest transition risks of all scenarios assessed</li> <li>Significant negative impact on operations and infrastructure</li> </ul>
<p><b>Additionally, in this scenario:</b></p> <ul style="list-style-type: none"> <li>A complete transformation of how energy is produced, transported and consumed is required</li> <li>Energy investment, specifically in electricity networks, is greatest in this scenario, increasing at an average of 3.2% per year. This compares to 2% per year under the 2°C Scenario and 1.67% per year under the Low-Carbon Scenario.</li> <li>Power sector investment nearly triples to \$2,200 billion in 2030 from 2019</li> </ul>	<p><b>Additionally, in this scenario:</b></p> <ul style="list-style-type: none"> <li>Alignment to the Paris Agreement is assumed</li> <li>All policy and private sector net-zero targets are achieved within stated timeframes</li> <li>Nearly 70% of clean energy and grid investment to 2030 comes from private sources</li> </ul>	<p><b>Additionally, in this scenario:</b></p> <ul style="list-style-type: none"> <li>Temperature rise is similar to warming outcomes projected in the Low-Carbon Scenario</li> <li>Emissions reductions focus on carbon capture and storage, nuclear, natural gas operations, and improved building efficiencies</li> <li>Between 2020-2030, capital investment in low emissions technologies will average more than \$650 billion annually</li> </ul>	<p><b>Additionally, in this scenario:</b></p> <ul style="list-style-type: none"> <li>The energy sector becomes more sustainable, but not as much as the Global Net-Zero and Low-Carbon Scenarios</li> <li>Highest expenditure on adaptation and resilience for the transmission and distribution energy network</li> </ul>



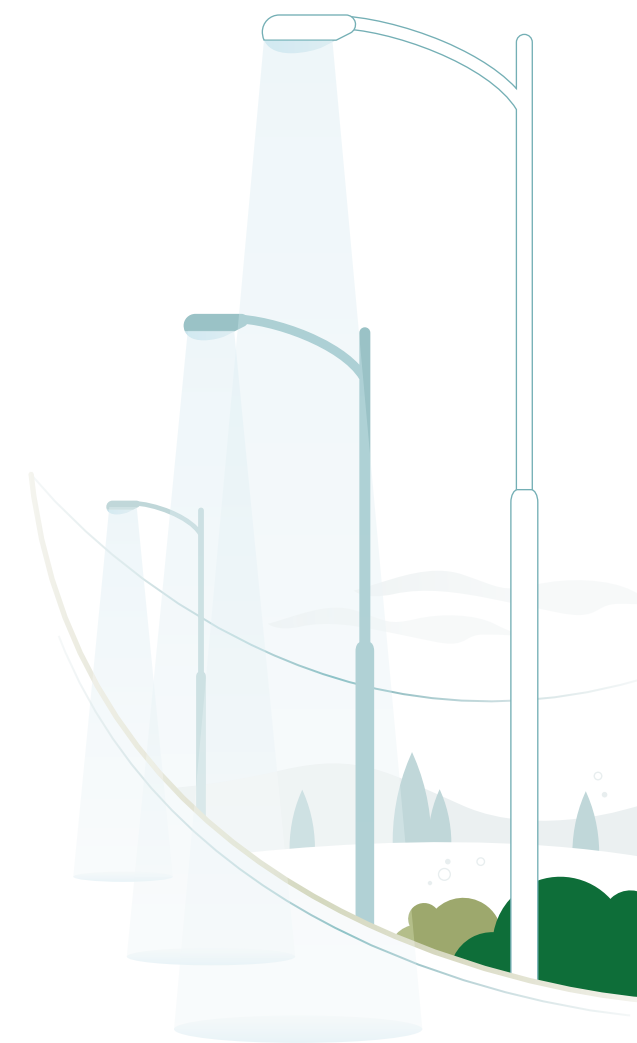
## Climate-related risks and opportunities

Once the climate-related risks and opportunities for each of the four scenarios were compiled and ranked, overlapping themes were identified between the Global Net-Zero Scenario and the Low-Carbon Scenario. The same was true for the 2° Scenario and the High-Carbon Scenario. As a result, for the purpose of reporting:

- The Global Net-Zero Scenario and the Low-Carbon Scenario risks and opportunities are consolidated and reported under the “Lower-Carbon Scenarios” heading in the following table on page 14.
- The 2° Scenario and the High-Carbon Scenario risks and opportunities are consolidated and are reported under the “Higher-Carbon Scenarios” heading in the following table on page 19.

Fortis is well positioned to mitigate risk and take advantage of the opportunities under both the lower and higher-carbon scenarios. Climate change is happening today. Fortis utilities already experience more frequent extreme weather events as a result of climate change. We are adapting and executing decarbonization strategies by taking such action as retiring coal-fired electricity generation and implementing plans to reduce customer emissions. We forecast annual greenhouse gas emissions and consider all impacts of future capital projects on our carbon emissions reduction target.

While we are taking the right steps now to prepare for the future, we recognize that, in some respects, our work is just beginning. The future will likely reflect elements of both the lower and higher-carbon scenarios instead of a singular scenario. Fortis will continue to invest in resilient infrastructure and deliver more clean energy to customers. This investment approach is embedded in our current business strategy, aligns with our purpose and values, and will guide Fortis into the future.



## Lower-Carbon Scenarios

In the two lower-carbon scenarios, significant increases in renewable energy investments, electrification, and energy efficiency are expected to bring increased clean energy investment. As these two scenarios describe aggressive low-carbon futures, the risks associated with transitioning to a low-carbon economy take greater focus for analysis in comparison to physical risks in these scenarios.

Risks can be mitigated by developing and implementing climate transition risk reduction strategies, achieving our climate-related targets and ensuring our energy delivery assets are capable of delivering low-carbon energy reliably and safely.

## Lower-Carbon Scenarios

### Transition Risks

#### Policy and Legal

Governments and regulators across jurisdictions where Fortis utilities operate will likely implement increasingly aggressive carbon reduction and renewable energy targets to combat climate change. There is risk associated with our ability to keep pace with such targets if proper regulatory mechanisms are not in place. Additionally, costs associated with exploring new technologies and other low-carbon solutions and the recovery of these costs is a consideration. Strong regulatory engagement will be necessary to mitigate the financial risks related to cost recovery of climate-related investments or potential stranded costs. Regulatory approval of adaptation-related costs (such as asset hardening) may be more difficult in lower-carbon scenarios as extreme weather events would be less frequent.

Legislative requirements and policy changes related to climate change are expected to increase in lower-carbon scenarios. If Fortis is not able to comply with these new conditions, fines or other regulatory orders could be imposed. Non-compliance would also increase risk associated with

negative stakeholder perceptions of Fortis, as listed under reputation risks. Requirements related to the operation of natural gas assets are expected to increase and conventional natural gas demand may be reduced. Increased legislative requirements could also impact customer rates and affordability. New laws and changes to current legislation, such as new or increased carbon taxes or clean energy standards, could increase costs to both Fortis and its customers.

We operate in 17 regulatory jurisdictions throughout North America, with each Fortis utility operating under distinct regulatory regimes. Our regulatory and geographic diversity helps reduce the impact of regulatory outcomes and policy changes related to climate change in any one jurisdiction. As part of our decentralized model, Fortis utilities manage the relationship with the regulator in their jurisdiction and have the authority and independence to deliver what is most important in their communities. This flexibility should help reduce risks associated with the aggressive low-carbon transition in these scenarios.

**Lower-Carbon Scenarios**

<p>Technology</p>	<p>Demand for new technologies is expected to increase as action is taken to limit global temperatures rising. Since Fortis is primarily focused on delivering energy, the risk will be associated with our ability to ensure our systems are able to integrate new technology reliably and safely. The predictability and reliability of current operations could be impacted. Fortis considers future requirements when making new capital investments, including those related to resiliency, and will need to enhance these considerations in lower-carbon scenarios.</p> <p>In the lower-carbon scenarios, technology must advance quickly to limit global temperatures rising. Once developed, these technologies may also require time to become commercialized and economically feasible to adopt.</p>	<p>For example, carbon capture and storage and long-duration storage will eventually become commercialized and widely available. The ability of Fortis to deliver on carbon-related targets could be negatively impacted if there is a gap between the time when new technology is needed and when it is widely available, or if Fortis lags behind adopting new technologies. Additionally, the accelerated development and adoption of new technology may increase the risk associated with cybersecurity events for the utility industry.</p> <p>As new technologies become widely available, infrastructure design risks and time delays may emerge. Fortis energy delivery systems will require technological changes and updates in order to effectively deliver increasing amounts of renewable energy to customers.</p>
<p>Market</p>	<p>Customer demand for clean, renewable energy will likely increase; and as such, demand for traditional energy sources and grid-based solutions may decrease along with the potential for reduced conventional natural gas use. It is projected that electrification will significantly increase demand. While the overall impact of electrification is positive for Fortis, it will require a change in our systems and operations to accommodate increased demand and ensure reliability. The impact on customer rates and affordability will be a consideration in a low-carbon economy.</p> <p>Carbon pricing may be more common and will likely impact cost competitiveness of natural gas. Demand for energy efficiency services</p>	<p>increases in these scenarios and could result in new entrants providing this service. At the same time, as demand side management increases and customers utilize options such as microgrids, the requirement for additional transmission may decrease in some regions.</p> <p>In terms of financial markets and the ability of Fortis to access capital, investors may establish high standards in terms of the types of investments they support and access to capital could be more challenging.</p>

**Lower-Carbon Scenarios**

Reputation

In these scenarios, customer affordability issues will arise due to costs associated with delivering cleaner energy. The significant shift to renewable energy and its current intermittent nature could also create reliability issues. There will be more options for customers to choose from for their energy needs, which could result in a loss of customer base or potential stranded assets.

Fortis has a unique set of reputational risks in these lower-carbon scenarios, given we are an energy delivery company and do not generate the majority of energy we deliver to our customers. Companies that generate and supply the energy and capacity we deliver will need to commit to increasing renewable generation and grid investments in

technology and infrastructure to support the intermittent nature of renewable generation. If they do not commit, Fortis could experience negative reputational impacts associated with possible service interruptions when renewable generation resources cannot fulfill energy demand.

If Fortis stakeholders perceive that Fortis is not supportive of a low-carbon economy, shareholder and environmental activism may occur. This may create a negative perception of Fortis and lead to erosion of share price. By continuing to listen to our stakeholders, increasing our sustainability disclosures, and executing our business strategy, we are taking actions to mitigate this risk.

**Physical Risks**

Acute

Although significantly less prevalent in these scenarios, extreme weather events will still occur and pose operational risks to Fortis utilities. Such events will negatively impact service reliability and will result in equipment failure. Operations teams will likely experience increased safety risks

while conducting restoration efforts. The physical risks experienced are not dissimilar to those that are the reality for Fortis today. As such, we will continue to build upon the climate adaptation work currently underway.

Chronic

Longer-term shifts in climate patterns will impact system and operational planning. Improving the stability of today's energy distribution systems requires proactive planning by stakeholders across the value chain. Capital investment and design standards will have to address long-term climate changes, even in a low-carbon future. Operationally, long-term

changes in climate patterns may negatively impact asset performance and the useful life of certain assets may be shortened. This may negatively impact reliability, asset replacement plans, and customer rates. This will also increase the importance of regular maintenance and inspections.

**Lower-Carbon Scenarios**

**Opportunities**

<p>Energy Source</p>	<p>Fortis is an energy delivery business, with 93% of its assets associated with delivering energy to customers. We have a corporate-wide target to reduce Scope 1 carbon emissions 75% by 2035. By 2035, 99% of our assets will be focused on energy delivery and renewable, carbon-free generation. The move to a low-carbon economy builds on our existing strategy to invest in clean energy opportunities and to ensure our systems are built to deliver renewable energy to customers. Transmission investment opportunities</p>	<p>will exist to connect and deliver more renewable energy to customers. Opportunities will also exist to invest in battery storage to support the transition to renewable energy. FortisBC will be positioned to expand its hydrogen and renewable gas strategies. The utility will also have opportunities to provide marine bunkering services and to support the decarbonization of the on-road industrial transportation sector. Natural gas exports may increase to support countries transitioning from high-carbon sources.</p>
<p>Products and Services</p>	<p>The increased demand for clean energy and wide-spread electrification will create significant opportunities for Fortis. High voltage transmission and distribution infrastructure is critical to the success of the clean energy transition. Fortis utility ITC is the largest independent electricity transmission company in the U.S., owning and operating high-voltage infrastructure in seven Midwest states. As renewable energy supply increases, the transmission grid that supports delivery to customers far from the generation source will require modernization and expansion.</p> <p>As electric vehicle demand increases, additional investment in electrical infrastructure will be needed. Demand for energy efficiency products and services will also increase. Support for customers who want to decrease energy use will be provided through expanded utility energy efficiency programs.</p>	<p>The lower-carbon scenarios will create opportunities for FortisBC and its natural gas operations. The utility is currently executing its strategy to decarbonize its natural gas supply, which will allow it to provide low-carbon products that deliver the same service as conventional natural gas. Renewable gas and hydrogen demand will increase. LNG marine bunkering, decarbonizing the on-road industrial transportation sector, and exports will also provide new opportunities. Carbon capture and storage technology will create opportunities to reduce greenhouse gas emissions.</p> <p>Fortis fosters an innovative culture through its Fortis Innovation Network, which provides an opportunity for representatives throughout our group of companies to collaborate and share new ideas and ways of operating. We also invest in Energy Impact Partners, the world's largest strategic private equity fund focused on the transformation of the energy industry. These activities support new and innovative low-carbon developments in the utility industry.</p>



**Lower-Carbon Scenarios**

<p>Resource Efficiency</p>	<p>Fortis will continue to decrease its own operational carbon footprint. For example, ITC has incorporated solar generation to power its main office. Fortis utilities are also incorporating electric vehicles into fleet management plans. FortisAlberta is constructing its first net-zero operations building in its service territory. Fortis will continue to increase investment to support more efficient operations that also enable cost savings in the future. For example, Fortis utilities will adopt improved</p>	<p>forecast modelling to manage such things as increased demand due to electrification or integrate carbon capture technology to reduce emissions from our energy resources.</p> <p>Fortis utilities have a high level of knowledge to improve energy efficiency. This knowledge will continue to be shared with customers, and will also be applied to our own operations.</p>
<p>Market</p>	<p>In the lower-carbon scenarios, the market will expect more low-carbon energy, faster from its energy providers. Demand for electricity will significantly increase as electrification accelerates. While this clean energy transformation takes place, the market will continue to expect reliable service. This creates an opportunity for Fortis to deliver more cleaner energy to customers, while investing in new technologies and innovation to ensure service reliability remains consistent. There will also be increased opportunities to partner with customers who are demanding cleaner energy and are willing to pay higher associated costs, particularly in the early years of these scenarios.</p>	<p>A transformation of how energy is produced, transported and used will be required. Partnerships and integration with neighbouring jurisdictions will likely increase, as the utility industry works together to create a net-zero economy and deliver on market expectations. These new partnerships will likely create opportunities for Fortis, especially given our geographic diversity. For example, at TEP in Arizona, increased regional market demand for renewable energy may create opportunity for integration and regional optimization allowing renewable investment.</p> <p>In terms of financial markets and the ability of Fortis to access capital, the lower-carbon scenarios will likely increase the amount and availability of sustainable financing options.</p>
<p>Resilience</p>	<p>The lower-carbon scenarios will require a transformation of the energy delivery system in order to transport a significantly increased amount of renewable energy reliably and safely, while also withstanding extreme weather events. A strong energy system will be required for electrification. Engineering design standards will need to evolve to create an energy system capable of delivering the clean energy future. Capital investment</p>	<p>opportunities will exist to develop necessary redundancies and to ensure our energy delivery infrastructure is able to meet and exceed carbon-reduction expectations and anticipated extreme weather. Engagement with regulators will be critical to the successful transition of the energy delivery system to meet these future requirements.</p>

### Higher-Carbon Scenarios

In the two higher-carbon scenarios, the ability of our infrastructure to deliver reliable and safe energy will be under increased pressure due to impacts from warmer global temperatures and more frequent extreme weather events. The physical risk to infrastructure, energy delivery capabilities, and employee safety will increase. These

risks can be mitigated by developing adaptation strategies that are integrated with business planning and capital expenditure to build resilient infrastructure. These scenarios assume decarbonization continues in the jurisdictions we operate to meet currently stated climate-related goals.

## Higher-Carbon Scenarios

### Transition Risks

#### Policy and Legal

Governments and regulators will focus on climate change adaptation in the energy system. Progress will continue on climate-related emission reduction targets, albeit at a slower pace in comparison to the lower-carbon scenarios. Governments and regulators may not be aligned on climate mandates, creating risks for utilities. Regulation will likely increase to address reliability, resiliency, resource planning, and safety. Increased investment in resiliency will be required, which may result in more frequent and complex regulatory filings. This could create risk associated with the regulatory approval of additional resiliency investment. Regulator engagement and regulatory mechanisms will have to advance to achieve climate-related targets.

Legislative requirements and policy changes related to adaptation and resiliency requirements will increase as we operate in a warmer climate with more extreme weather. If Fortis is not able to comply, fines or other regulatory orders may be imposed.

These scenarios have the highest physical impacts, including increased occurrences of extreme weather events and related damage. Litigation risk related to these events and restoration efforts will increase, particularly in a situation where a Fortis utility is found responsible for causing the event. There may also be heightened reputational risk of being connected to, or perception of being connected to, the cause of the event.

Fortis is well-positioned to build on its existing operational strengths to mitigate these risks. Our utilities currently experience extreme weather events. The strong operational focus we currently have on adaptation, infrastructure resiliency, and vegetation management can be further enhanced.

## Higher-Carbon Scenarios

<p>Technology</p>	<p>In the higher-carbon scenarios, technology will not advance as quickly in comparison to the lower-carbon scenarios. For the utility industry, these delays could result in a situation where renewable energy is available, but technology has not advanced sufficiently in order to deliver the renewable energy to customers. The intermittent nature of renewable energy would persist as a risk for a longer time-period, which could negatively impact reliability.</p> <p>The slow pace and lack of technology solutions available may also negatively impact the ability of the utility industry, including Fortis, to achieve climate-related targets within stated timeframes.</p>	<p>Risk may also be associated with the ability to accurately forecast energy demands in the higher-carbon scenarios. Current forecasting technology would need to advance to accurately incorporate the increased energy demand associated with extreme variability in temperatures, increased electrification, and the unpredictability associated with more frequent extreme weather events. Similarly, asset design standards and technology will have to progress to ensure infrastructure is designed to withstand the extreme weather events and extreme variability in temperatures. For example, peak demands for energy would be more frequent in a warmer environment, particularly for our utilities located in regions such as the Caribbean and Arizona.</p>
<p>Market</p>	<p>Market demand for renewable energy could be high, yet supply could be low due to fewer utility-scale renewable energy projects. This may create a highly competitive environment for renewable energy, introducing risk associated with increased customer costs and the ability of Fortis to achieve climate-related targets.</p> <p>If customers perceive that Fortis is not transitioning to a low-carbon economy quickly enough, or if outages increase due to more frequent extreme weather events, there may be risk that customers seek other methods to fulfill their energy needs. There is also a potential risk for higher</p>	<p>customer rates related to resiliency investment and maintenance costs required to deliver reliable energy. Additionally, carbon pricing is expected to continue to increase. These increased costs could impact customer choice for energy needs.</p> <p>Financial risk may exist associated with our ability to access cost-effective financing if we are unable to meet climate targets or investor expectations. Insurance premiums will likely increase in higher-carbon scenarios as a result of more frequent extreme weather events, which could make insurance more difficult to attain.</p>
<p>Reputation</p>	<p>More frequent extreme weather events could increase customer criticism in relation to reliability, prolonged outages, and restoration efforts. Additional investment required for adaptation and resiliency as well as costs associated with outages may have a negative impact on customer rates. This, in turn, could impact customer perceptions of Fortis utilities.</p> <p>Fortis stakeholders could perceive that we are not contributing to a low-carbon economy. Stakeholders may also be of the view that the time required to build transmission infrastructure is too lengthy, and thus</p>	<p>negatively impacting the adoption of renewable energy. Lack of alignment on global, national and regional climate goals could increase reputational risk for Fortis. This risk of negative stakeholder perception could result in shareholder and environmental activism, loss of shareholders or increased presence of intervenors in regulatory processes. This risk can be mitigated by Fortis continuing its commitment to climate-related targets and executing on capital plans focused on delivering cleaner energy and hardening our assets.</p>

## Higher-Carbon Scenarios

### Physical Risks

<p>Acute</p>	<p>Extreme weather events, including flooding, wind and wildfire events, are more severe and more common in a higher-carbon scenario. As a result, equipment failure and outages are more likely. With increased frequency of emergency response situations, ongoing operations could be strained. Increased temperature extremes will create higher customer usage, which could make it difficult to meet peak demand requirements. Expected increases in equipment damage will decrease asset life and increase costs associated with replacement, repair, and maintenance.</p> <p>Asset replacement and repairs resulting from extreme weather events will likely be extensive, which could cause restoration delays. Employee safety risk will also increase as teams respond more frequently to emergency situations. Operational teams will also be exposed to higher temperature extremes as they perform regular operations.</p>	<p>The Fortis supply chain will likely be negatively impacted in these scenarios, as suppliers may struggle to continue normal operations while experiencing more frequent extreme weather events and higher temperatures. This risk can be mitigated by increasing lead-times for orders and arranging large group purchases amongst Fortis utilities.</p> <p>To develop our ability to adapt to these types of physical climate risks, Fortis utilities are working together to analyze the risk and impact of extreme weather events. The highest risk weather events for each jurisdiction have been identified. Mitigation practices are shared amongst utilities and adaptation plans are being strengthened. These current efforts will be accentuated based on the learnings from this scenario analysis of a high-carbon future. Fortis is also partnering with industry associations on similar initiatives, including research on extreme weather impacts and strengthening design standards.</p>
<p>Chronic</p>	<p>The long-term shifts in climate patterns would be significant. Fortis operations and infrastructure will experience sustained stress from the negative physical impacts created. The ability to safely deliver reliable energy to customers will be impacted.</p> <p>Infrastructure will be subjected to chronically higher temperatures and more extreme weather events, impacting reliability, reducing the useful life of our assets and increasing replacement, repair and maintenance costs. Long-term climate impacts could result in frequent rolling blackouts and outages.</p> <p>Consistently higher temperatures will increase the importance of providing reliable energy to power cooling equipment such as air conditioners, particularly in warmer jurisdictions such as the Caribbean and Arizona. Customers may choose to move to jurisdictions with moderate temperatures, which could negatively impact local economies. Additionally, Fortis utilities located near the ocean may experience issues related to rising sea levels.</p>	<p>Fortis operates in 17 jurisdictions throughout North America, including a mix of both warm and cool environments and locations in both coastal regions and the interior, which aids to diversify these risks.</p> <p>Water availability and the anticipated unpredictability of water patterns may create risk in these scenarios. For example, some Fortis utilities purchase hydroelectricity and it is then resold for customer use; therefore, water shortages could impact renewable purchases. Fortis is an energy delivery company with less than 1.5% of total assets associated with hydrogeneration, which reduces our risk from changes in hydrology from climate change.</p> <p>TEP is the primary Fortis utility that uses water during fossil fuel generation. In conjunction with its goal to eliminate coal-fired generation by 2032, TEP has a target to eliminate the use of surface water for power generation and reduce groundwater use by 70%.</p>

## Higher-Carbon Scenarios

### Opportunities

<p>Energy Source</p>	<p>Our focus on clean energy delivery will provide investment opportunities in the higher-carbon scenarios. Our strategy to ensure our energy delivery systems are built to deliver reliable energy to customers will become increasingly important. As such, even in higher-carbon scenarios, transmission and distribution assets may require additional investment.</p> <p>Natural gas continues to play an important role in the energy mix, creating opportunities for FortisBC. The utility has established carbon-reduction</p>	<p>targets and is already decarbonizing its natural gas supply. Renewable gas could be used as fuel for electricity generation, or with carbon-capture storage, to generate electricity to manage peak demand. There will also be opportunities for using natural gas as a switching fuel for higher-carbon options, resulting in increased demand and exports.</p>
<p>Products and Services</p>	<p>While overall climate action will move at a slower pace in comparison to the lower-carbon scenarios, we expect a number of companies and jurisdictions will continue to be motivated to achieve climate-related targets quickly. North America is likely to continue to decarbonize in the higher-carbon scenarios. In addition, investment opportunities in storage infrastructure may increase to alleviate the intermittency associated with renewables. Transmission opportunities to enable the integration of renewables on to the electricity grid will likely exist. Electrification of the transportation sector is anticipated, which will require increased investment in electrical vehicle infrastructure by Fortis utilities.</p>	<p>North American demand for natural gas will increase. FortisBC's work to decarbonize its natural gas supply by increasing the use of renewable gas and hydrogen will continue. In addition, liquefied natural gas marine bunkering and exports at FortisBC will likely increase. Natural gas demand within the on-road industrial transportation and marine bunkering sectors will likely increase as both transition away from heavier fossil fuel resources. These transitions are expected to occur, albeit at a slower pace in comparison to the lower-carbon scenarios.</p>
<p>Resource Efficiency</p>	<p>As we adapt our assets to be more reliable and resilient, it may also create energy savings and decrease maintenance costs. Investments in emerging technology could create efficiencies for Fortis. In the higher-carbon scenarios, Fortis will remain committed to reducing its own carbon footprint. We will continue to increase our investment to support more efficient operations and enable cost savings in future. For example,</p>	<p>Fortis utilities will adopt improved forecast modelling to manage and plan for increased extreme weather events and increased demand due to higher temperatures and electrification. Fortis utilities have a high level of knowledge to improve energy efficiency. This knowledge will be applied to our own operations and will continue to be shared with customers.</p>



## Higher-Carbon Scenarios

<p>Market</p>	<p>Fortis will continue its work to achieve its carbon reduction target to reduce Scope 1 carbon emissions by 75% by 2035 compared to 2019 levels. This target would be achieved relatively early in the timeframe associated with these scenarios. Electrification is expected for the transportation sector, creating EV infrastructure opportunities for our utilities. Partnerships and integration with neighbouring jurisdictions will likely increase, as the utility industry works together to mitigate warmer temperatures and extreme weather events. These new partnerships will likely create opportunities for Fortis, especially given our geographic diversity.</p>	<p>In terms of financial markets and the ability of Fortis to access capital, sustainable financing options may still exist, as North America will continue to transition to a low-carbon economy. However, these sustainable financing options would not be as significant in comparison to the lower-carbon scenarios.</p>
<p>Resilience</p>	<p>The higher-carbon scenarios will require significant capital investment to ensure the Fortis energy delivery system is resilient and able to withstand warmer temperatures and more frequent extreme weather events. More rigorous engineering standards and increased infrastructure maintenance and investment will be anticipated. Capital investment opportunities will exist to develop redundancies and strengthen operations to ensure our energy delivery infrastructure is able to operate under the conditions created by these scenarios. These investments will grow rate base, and in turn, rates and revenue.</p>	<p>The emergency preparedness of Fortis utilities will need to be strengthened. Opportunities will exist to increase proactive emergency preparedness to anticipate extreme weather events and prepare accordingly. Engagement with regulators will be important to meet future requirements.</p>

# Risk Management

## Integrating climate-related risks into existing risk management processes

### Enterprise Risk Management

Fortis incorporates climate-related matters into our long-term strategy and financial planning processes.

Fortis has an ERM process to identify and evaluate risks by both severity of impact and probability of occurrence. Risks that may impact the safety of employees, customers or the general public as well as financial and reputational risks, including those related to climate change, are evaluated. Systems of internal controls are used to monitor and manage identified risks.

The Fortis Board of Directors is responsible for understanding the material risks and mitigation strategies of our business, and for taking reasonable steps to ensure that management has an effective risk management system in place relative to our risk profile. This includes an increased focus on enterprise-wide sustainability risk to ensure proper oversight and good governance.

**The ERM process at our utilities is overseen by each utility's Board of Directors.** Material risks identified are communicated to Fortis management and form part of the Fortis ERM program.

The Fortis Board, through the audit committee, oversees the Fortis ERM program. Every year the Fortis Board receives an ERM risk assessment report prepared by management that outlines strategic risks and related risk mitigation strategies. Management assesses the risk profile quarterly and provides updates to the Board throughout the year.

A summary of significant business risks for Fortis is included in our annual management discussion and analysis. For year-end 2021, these risks included climate-change issues such as environmental regulation, weather variability, and natural gas competitiveness.



## Managing Climate-Related Risks

Existing and emerging regulatory requirements related to climate change are considered as part of strategic planning and ERM processes at Fortis.

With 99% of regulated utility assets, we are focused on maintaining constructive regulatory relationships and outcomes. Regulatory jurisdictions include five Canadian provinces, nine U.S. states and three Caribbean countries, as well as FERC regulation for transmission assets in the U.S.

As part of the Fortis decentralized business model, Fortis utilities are responsible for regulatory proceedings in each respective service territory. Regulatory requirements related to climate change are incorporated into utility resource plans submitted to regulators. Utilities also address applicable federal, provincial/state and municipal laws and regulations.

Fortis uses various methods to manage climate-related risks. For example, the Fortis Operations Group connects senior operational leaders across Fortis utilities to share best practices to mitigate climate risks, ensure emergency preparedness, and timely storm restoration response.

Innovation is needed to transform the utility industry as we create a cleaner energy future and combat climate change. To further advance innovation, Fortis is a partner of Energy Impact Partners, a strategic private equity fund that invests in emerging technologies, products, services, and business models that are transforming the utility industry. Fortis is also a participant in the Electric Power Research Institute's Low Carbon Resources Initiative, along with other major North American utilities. By leveraging its operational excellence and these partnerships, Fortis expects to remain at the forefront of the ever-changing utility industry.

Going forward, the work completed as part of this report and our continued alignment with TCFD recommendations will enhance how climate-related matters inform our ERM process, strategy, and financial planning.



# Metrics & Targets

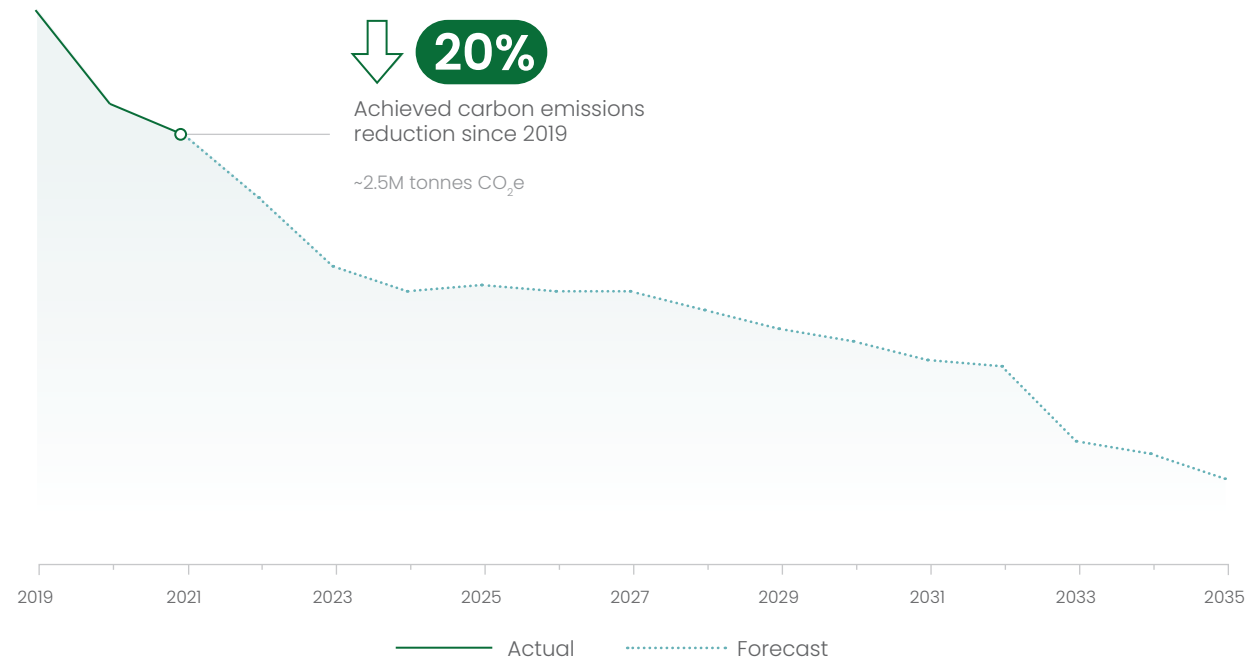
## Tracking our progress to combat climate change

Fortis discloses sustainability-related metrics annually to measure and manage climate-related risks and opportunities. A number of targets aimed at combatting climate change have been established corporate-wide, and also at the Fortis utility level.

These metrics and targets are detailed below. Executive compensation is linked with performance on matters related to climate change and is described in the governance section of this report on page 7.



### Carbon Emissions Reduction Target on Track



### Corporate-Wide Scope 1 Carbon Emissions Reduction Target of 75% by 2035 Compared to 2019 Levels

Over the last two years, we have achieved a 20% carbon emissions reduction. Our target aligns with the goals of the Paris Agreement, exceeds the pace of reduction outlined in the 2° Celsius pathway and does not include the use of carbon offsets. This target, established in 2020, represents avoided emissions equal to taking approximately two million cars off the road in 2035 compared to 2019 levels.

By 2035, 99% of Fortis assets are expected to be focused on **energy delivery** and **renewable, carbon-free generation**.

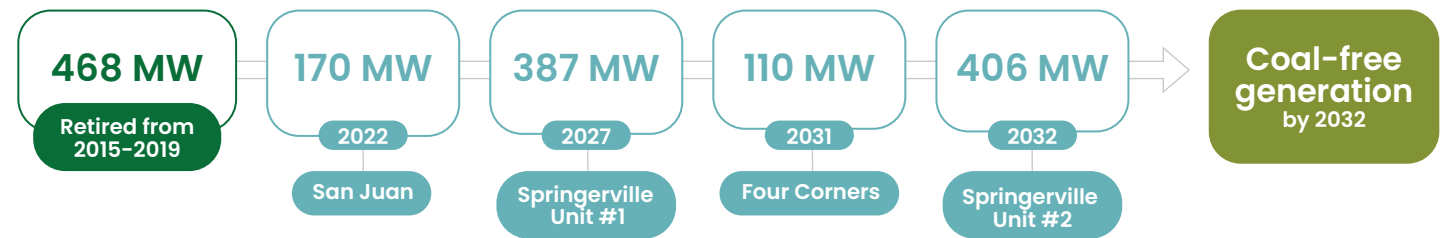
## A clear path to achieve climate-related targets

The Fortis carbon emissions reduction target will largely be achieved through Tucson Electric Power's carbon emissions reduction plan. TEP is the most significant contributor to Scope 1 emissions within the Fortis group of companies. The utility comprises 4% of the 5% of assets related to fossil fuel generation and is the only Fortis utility that uses coal for generation. Clean energy initiatives across Fortis utilities will also contribute to achieving this target.

### TEP Plans for a Cleaner, Greener Grid

Beginning in 2023, TEP plans to transition a portion of coal-fired generation to seasonal operations during cooler months, further decreasing the use of coal for power generation. This is in addition to the planned coal retirements outlined. By executing its plan, TEP will have a coal-free generation mix by 2032, eliminating the use of surface water for power generation and reducing groundwater use by 70%. TEP is also significantly expanding its renewable energy resources.

### TEP Coal Retirements



In 2021, TEP brought online **450 MW of wind and solar power** and added a 30 MW battery energy storage system.

By 2035, more than 70% of TEP's power will be provided from wind and solar resources, with approximately 2,400 MW<sup>1</sup> of wind and solar and 1,400 MW of battery storage.

### FortisBC's Clean Growth Pathway to 2050

FortisBC's approach to reducing emissions and increasing renewable energy includes a focus on emissions associated with the use of natural gas.

FortisBC has committed to **reduce customer emissions 30% by 2030** relative to 2007 levels.

In total, Fortis utilities deliver natural gas to 1.3 million customers, 81% of which are located in FortisBC's service territory. FortisBC is targeting to have 15% renewable gas in its system by 2030 and envisions a future where roughly 75% of the energy it delivers will be renewable by 2050. Demand continues to grow for renewable gas and FortisBC is currently on pace to meet or exceed these targets. In 2021, FortisBC increased annual renewable gas supply by 184%

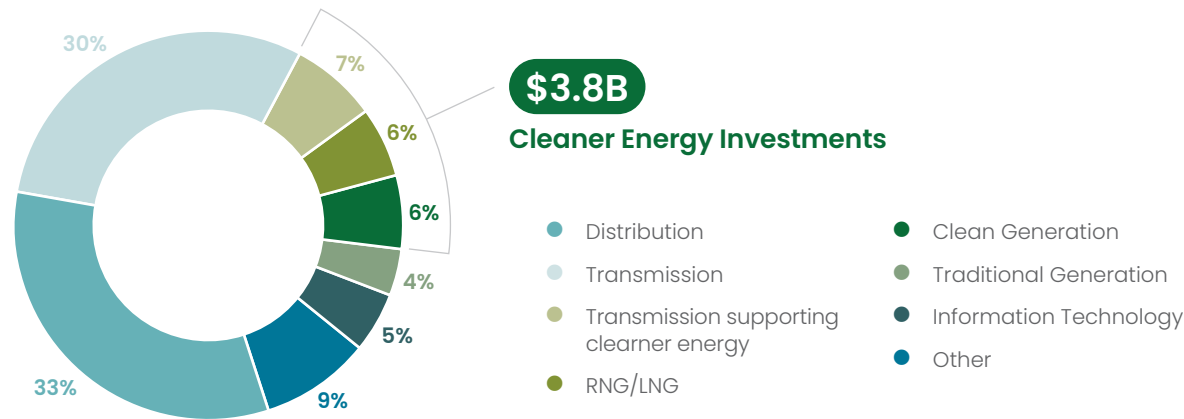
compared to 2020, the largest annual delivery in program history to date. In 2022, FortisBC forecasts that renewable gas supply will triple compared to 2021.

### Caribbean Utilities Company Supporting a Cleaner Energy Future

Caribbean Utilities Company is located in the Cayman Islands and provides electricity to 32,000 customers. The utility supports the country's target of 70% renewable energy delivered to customers by 2037. CUC plans to build or purchase approximately 100 MW of renewable energy and procure approximately 20 MW of long-duration storage by 2025. The utility currently has total generating capacity of 161 MW.

<sup>1</sup> Includes approximately 450 MW placed in-service in 2021

2022-2026 Five-Year \$20 Billion Capital Plan Supports the Delivery of Cleaner Energy



These metrics include expected changes to our energy mix, capital expenditures focused on resiliency, modernization and cleaner energy, as well as rate base growth. Executive compensation metrics linked to sustainability performance and climate change matters is described in the governance section of this report on page 7. Together, these metrics enable us to measure and monitor the progress of our clean energy transition.

**Resource Planning and Carbon Pricing**

Each Fortis utility conducts resource planning to help evaluate and identify cost-effective solutions to provide the best service to its customers in accordance with local policy objectives over the long-term. These plans are often submitted for regulatory review.

Fortis primarily delivers energy supplied by others. As such, a carbon price is not used for energy supplied by others and transported by our infrastructure. As appropriate, carbon pricing assumptions are used to ensure carbon price impacts are reflected as part of resource planning. Modelling different scenarios with and without a carbon price helps to inform which resource options are subject to a greater carbon price risk.

**Climate-Related Metrics**

Fortis collects and reports on climate-related metrics including greenhouse gas emissions, avoided emissions, other air emissions from electricity generation, water use, waste management, and environmental compliance.

Fortis reports sustainability indicators annually, including historical data, and produces a comprehensive sustainability report every two years. Fortis sustainability metrics are corporate-wide and include data from all Fortis utilities. Our most recent sustainability indicators are included in the 2021

Fortis sustainability update. The appendix on page 29 includes additional climate related metrics.

**Fortis discloses Scope 1, 2 and 3 emissions and uses the GHG Protocol Corporate Accounting and Reporting Standards to guide GHG emissions reporting.**

We also report on operational metrics that support strategic planning processes and track progress.

## Appendix:

# Additional Climate-Related Metrics

## Net Electricity Generated (in GWh)

	2020	2019	2018	2017	2016 <sup>1</sup>
Coal	5,820	7,070	7,241	7,565	8,268
Oil	<1	<1	<1	2	2
Diesel	884	946	900	890	902
Natural Gas	8,590	8,660	7,572	3,897	3,919
Biofuel <sup>2</sup>	0	12	25	24	28
Hydropower	2,288	2,186	2,930	2,882	2,617
Solar	112	102	108	109	82
<b>Total</b>	<b>17,694</b>	<b>18,976</b>	<b>18,776</b>	<b>15,369</b>	<b>15,818</b>

**Our 2022 sustainability report, including 2021 metrics will be released later this year.**

	2020	2019	2018	2017	2016 <sup>1</sup>
<b>Scope 1 Emissions (in ktonnes of CO<sub>2</sub> equivalent)<sup>3</sup></b>					
Total Scope 1 emissions	10,418	12,308	11,140	10,380	11,154
<b>Scope 2 Emissions (in ktonnes of CO<sub>2</sub> equivalent)</b>					
From electricity purchased from the grid, used in Fortis-owned or controlled equipment <sup>4,5</sup>	136	167	150	170	153
<b>Scope 3 Emissions (in ktonnes of CO<sub>2</sub> equivalent)</b>					
Related to electricity used by customers that Fortis purchased from the grid	2,244	2,933	2,851	3,564	3,310
Related to electricity transmitted, delivered and consumed by Fortis companies under regulated tariffs <sup>6</sup>	87,612	101,156	116,000	112,637	36,384
Related to natural gas transmitted and delivered under certain Fortis contracts <sup>7</sup>	1,055	*	*	*	*
Related to natural gas used by customers <sup>8</sup>	16,986	17,681	16,150	16,289	14,788
<b>Other GHG emissions related to electricity purchased and resold to non-end users<sup>9</sup></b>	<b>243</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>

The asterisks (\*\*\*) indicate metrics added in recent years and historical data is not available.

<sup>1</sup> Data is provided from the date of acquisition of the following: Aitken Creek Gas Storage Facility (April 2016); and ITC (October 2016)

<sup>2</sup> UNS Energy had a landfill gas contract that expired in 2019

<sup>3</sup> 94% of Scope 1 emissions are submitted to a regulatory agency. The remaining 6% is prepared in accordance with regulatory requirements but it is not required to be submitted.

<sup>4</sup> 2016 is estimated as 2017 was the first year data was collected

<sup>5</sup> Excludes line losses from ITC Holdings Corp. and FortisAlberta. These utilities transmit and deliver electricity only and do not purchase or sell electricity.

<sup>6</sup> Reflects ITC Holdings Corp. and FortisAlberta. These utilities transmit and deliver electricity only and do not purchase or sell electricity.

<sup>7</sup> Reflects Central Hudson and UNS Energy. Emissions reflect customer combustion of the gas transmitted and delivered but not owned by the company.

<sup>8</sup> Assumes that natural gas was used in combustion by customers

<sup>9</sup> Represents wholesale purchases and previously reported as Scope 3 emissions



	2020	2019	2018	2017	2016 <sup>1</sup>
<b>GHG intensity factors</b>					
Combined GHG intensity of energy delivered to customers (in ktonnes of CO <sub>2</sub> equivalent per PJ)	9.69	11.05	10.29	9.86	19.17
Average GHG intensity of electricity generated (in ktonnes of CO <sub>2</sub> equivalent per GWh)	0.57	0.63	0.58	0.65	0.69
<b>Other air emissions from electricity generation</b>					
NO <sub>x</sub> Emissions (in ktonnes)	18	20	*	*	*
SO <sub>2</sub> Emissions (in ktonnes)	5	6	*	*	*
Mercury Emissions (in kilograms)	9	17	*	*	*
Particulate Matter Emissions (in ktonnes)	1	1	*	*	*
<b>Water used during fossil fuel generation</b>					
Groundwater withdrawn (in million cubic metres ("m <sup>3</sup> "))	48	49	47	*	*
Surface water withdrawn (in million m <sup>3</sup> )	5	6	6	*	*
Returned to source (in million m <sup>3</sup> )	28	27	26	*	*
Water consumed in electricity generation, covering significant use (in million m <sup>3</sup> )	25	28	27	21	23
<b>Waste management</b>					
Total amount of hazardous waste manifested for disposal (in ktonnes)	0.44	0.42	*	*	*
Total amount of recycled hazardous waste (in ktonnes)	0.79	0.17	*	*	*

The asterisks (\*\*\*) indicate metrics added in recent years and historical data is not available.

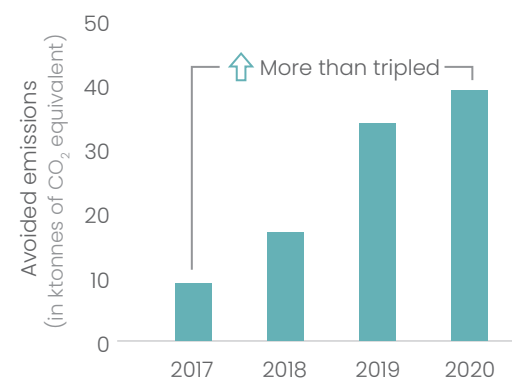
<sup>1</sup> Data is provided from the date of acquisition of the following: Aitken Creek Gas Storage Facility (April 2016) and ITC Holdings Corp. (October 2016)

### Increases in Avoided Emissions

In recent years, Fortis has reported consistent year-over-year increases in avoided emissions related to:

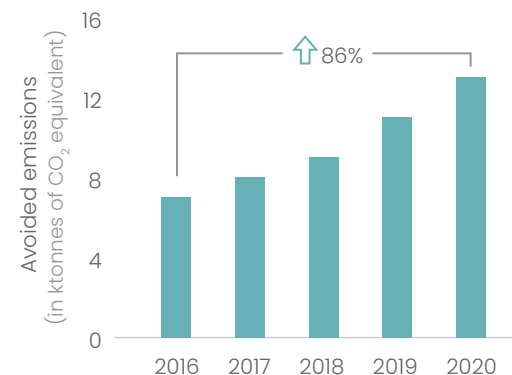
#### Liquefied natural gas

in marine bunkering:



#### Renewable gas

in natural gas deliveries:



## Additional Financial or Climate-Related Disclosures

[2021 Sustainability Update](#)

[2021 EEI/ESG Sustainability Reporting Template](#)

[2021 Annual Report](#)

[2021 Management Information Circular](#)

[2021 Annual Information Form](#)

[Fortis Sustainability Commitment](#)

[Board and Committee Mandates](#)

[Fortis Policies](#)

Additional information is available at [fortisinc.com/sustainability](https://fortisinc.com/sustainability)

## Abbreviations

CEO	Chief Executive Officer
CHRO	Chief Human Resource Officer
COP26	2021 UN Climate Change Conference
CUC	Caribbean Utilities Company Ltd. (a Fortis company)
ERM	Enterprise Risk Management
EV	Electric Vehicle
FERC	Federal Energy Regulatory Commission
GHG	Greenhouse Gas
GWh	Gigawatt hours
ITC	ITC Holdings Corp. (a Fortis Company)
LNG	Liquefied Natural Gas
m <sup>3</sup>	Cubic metres
MW	Megawatts
PJ	Petajoules
RNG	Renewable Natural Gas
TCFD	Task Force on Climate-Related Financial Disclosures

## Forward Looking Information

Fortis includes forward-looking information in this sustainability report within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (collectively referred to as “forward-looking information”). Forward-looking information reflects expectations of Fortis management regarding future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as anticipates, believes, budgets, could, estimates, expects, forecasts, intends, may, might, plans, projects, schedule, should, target, will, would and the negative of these terms and other similar terminology or expressions have been used to identify the forward-looking information, which includes, without limitation: the Corporation’s 2035 carbon emissions reduction targets and projected asset mix; targeted average annual dividend growth through 2025; expectations regarding how different climate scenarios may affect the Corporation’s clean energy transition risks and physical risks, as well as opportunities; TEP’s carbon emission reduction targets and projected generation mix, planned coal-fired generation retirements and expected reductions in the use of surface and ground water; FortisBC’s GHG emission and renewable gas supply targets; Caribbean Utilities’ renewable energy and storage targets; and forecast capital expenditures for 2022–2026, including cleaner energy investments.

Forward-looking information involves significant risks, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally, including those

identified from time to time in the forward-looking information. Such assumptions include, but are not limited to: reasonable outcomes for regulatory proceedings and the expectation of regulatory stability; no significant changes in government energy plans, environmental laws and regulations that could have a material negative impact; the successful execution of the five-year capital expenditure plan; no material capital project or financing cost overruns; no material impact from the COVID-19 pandemic; sufficient human resources to deliver service and execute the capital expenditure plan; no significant variability in interest rates; continuation of power supply and capacity purchase contracts; and the board exercising its discretion to pay dividends, taking into account the business performance and financial condition of the Corporation. Fortis cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking information. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking information. For additional information with respect to certain of these risks or factors, reference should be made to the continuous disclosure materials filed from time to time by the Corporation with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information herein is given as of the date of this report. Fortis disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

**Unless otherwise specified, all financial information is referenced in Canadian dollars.**

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## Contact Us

### Executive Contacts

David Hutchens, President and CEO

Nora Duke, Executive Vice President, Sustainability and Chief Human Resource Officer

Tel: 709.737.2800

### Analyst and Investor Enquiries

Tel: 709.737.2900

Email: [investorrelations@fortisinc.com](mailto:investorrelations@fortisinc.com)