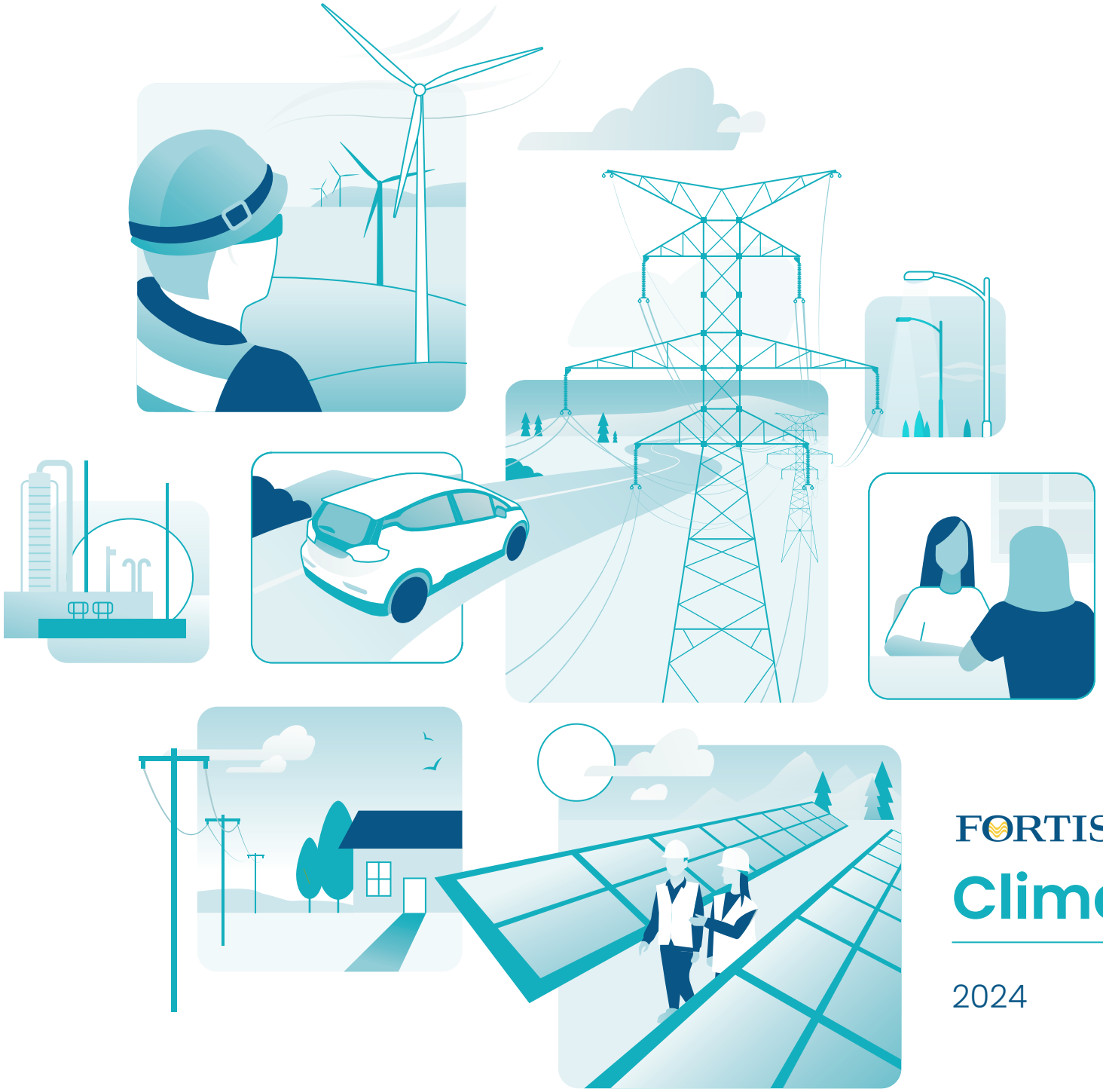


FORTIS

Climate Report

2024

Contents

About this report

This report is based on recommendations provided by the Task Force on Climate-Related Financial Disclosures (TCFD) and provides information on each TCFD pillar: **strategy (including climate scenario analysis), risk management, governance and metrics and targets.**

With the work of the TCFD now complete, we will review the guidance under consideration by securities regulators to inform future climate-related disclosures.

Unless otherwise specified, all information is as of December 31, 2023 and financial information is referenced in Canadian dollars and based on applicable U.S. dollar-to-Canadian dollar foreign exchange rates for 2023. Links to additional financial or climate-related disclosures and a list of abbreviations used in this report are located on page 34.

This report was published on March 11, 2024.

Message from

David Hutchens

President and CEO

We all recognize the increasing urgency for responsible action on climate change. Our business strategy and actions today matter, and following through on commitments has never been more important.

When you think about the impact of cumulative carbon emissions, the sooner we reduce them, the greater ability we have to contain rising global temperatures. At Fortis we set measurable goals and we are working hard to achieve them. We have established targets to reduce scope 1 emissions 50% by 2030 and 75% by 2035 (2019 base year) towards our 2050 net zero goal. To date, our actions have resulted in a 33% decrease in scope 1 emissions, marking considerable progress towards these targets. We undertake this work while also keeping customer affordability front and centre.

We are also committed to being prepared to adapt to future climate scenarios. Building on our 2022 TCFD and Climate Assessment, this report provides investors and stakeholders new and more detailed climate-related information across our group of companies using two climate scenarios. We assessed physical and transition risks and opportunities over different time horizons in order to identify potential business impacts.

The findings indicate that our current business strategy positions the company to perform well in the climate scenarios assessed. Continued focus areas for Fortis include achieving emissions reduction targets, enhanced focus on resiliency and adaptation of electricity delivery assets, and even greater investments in cleaner energy solutions for our natural gas operations. Going forward, these insights will enhance our strategy, investment decisions and risk management processes.

With the knowledge we gain from climate scenario analysis , we can make more informed decisions to minimize climate-related risks, maximize climate-related opportunities, and increase the resilience of our operations while delivering cleaner energy our customers can afford.

We have also enhanced our governance of, and strategy related to, climate risks and opportunities, and outlined the steps Fortis utilities are taking today to mitigate the impacts of climate change and prepare for the future.

We remain focused on the right things to get the right results today that will position Fortis well for the future.

David G. Hutchens
President and CEO
Fortis Inc.

About Fortis

We believe local leadership is best for electricity and natural gas utilities, ensuring a strong focus on our customers and communities.

While our utilities operate substantially autonomously, we have a common strategy and work together to share best practices and insights in key areas.

One of those key areas is climate change.

Across our business, we are working together to analyze, mitigate and adapt to climate risk, driving progress faster and further.

Our utility companies operate in 18 jurisdictions in Canada, the U.S. and Caribbean. We conducted location-specific climate scenario analysis and assessed the findings by bringing together expansive knowledge and diverse perspectives to solve problems and increase opportunities.

Vision and Strategy

A premium North American utility delivering a cleaner, resilient and affordable energy future

Sustainable growth through:

- Cleaner energy investments
- Innovation
- Operational excellence
- Financial strength
- Diversified regulated portfolio
- Local business model
- Risk management

Financial Performance

- 10.1% average annual 10-year total shareholder return
- 50 years of consecutive dividend increases with 4-6% annual dividend growth guidance through 2028
- 2023 earnings of $1.5 billion

TSX/NYSE: FTS

Operations

- 93% transmission and distribution assets
- 10 regulated utilities in Canada, the U.S. and Caribbean
- Consistently outperforming safety and reliability industry averages in both Canada and the U.S.
- Scope 1 emissions reduction targets of 50% by 2030 and 75% by 2035 (2019 base year) towards a 2050 net zero goal. A 33% decrease has been achieved to date.
- Virtually 100% regulated utility assets
- 9,600 employees
- 3.5 million electric & gas customers
- $66 billion in assets

$25 billion five-year capital plan (2024-2028)[1]

~ $7 billion
in cleaner energy capital[1]

~ $14billion
in sustaining capital[1]

[1] The Capital Plan is a forward-looking Non-U.S. GAAP financial measure calculated in the same manner as Capital Expenditures. Refer to 2023 annual results MD&A for the Non-U.S. GAAP reconciliation. Cleaner energy capital includes capital expenditures that support reductions in air emissions, water usage and/or increases customer energy efficiency. Sustaining capital includes capital expenditures required to ensure continued and enhanced performance, reliability and safety.

What's new in this report?

- Climate scenario analysis using two climate scenarios over three time horizons
- Potential business impacts identified for each scenario
- Prioritized assets assessed using specific geographic climate science
- Mitigation and resiliency activities ongoing at Fortis utilities
- Details on how the Fortis Enterprise Risk Management (ERM) framework is integrated into climate scenario analysis
- Description of how climate matters are governed at Fortis and its subsidiaries

What's next?

- Report findings will inform long-term strategy as well as capital and maintenance planning
- Fortis utilities will continue to explore opportunities through innovation
- Continue to develop more detailed vulnerability assessments and mitigation measures
- Further align climate scenario analysis within ERM practices

What did we learn?

Physical risks and opportunities

Under both climate scenarios and over all time horizons, no high or very high potential business impacts were identified.

Approximately 75% of assets assessed are expected to experience minimal climate change exposure when compared to the present day.

Three most significant climate exposures are strong winds, warmer temperatures and wildfire risk. Exposure to these hazards exists in the present day and strong mitigation measures are in place.

Opportunities exist to invest in asset resiliency and make informed capital investments to mitigate climate risk.

Transition risks and opportunities

Electricity operations

Opportunities are significant and outweigh potential risks.

Most significant risk relates to achieving mandated carbon reduction targets while maintaining reliability and affordability.

Natural gas operations

Most significant opportunity is the continued decarbonization of the natural gas system, including the increased use of renewable natural gas and use (or production) of hydrogen.

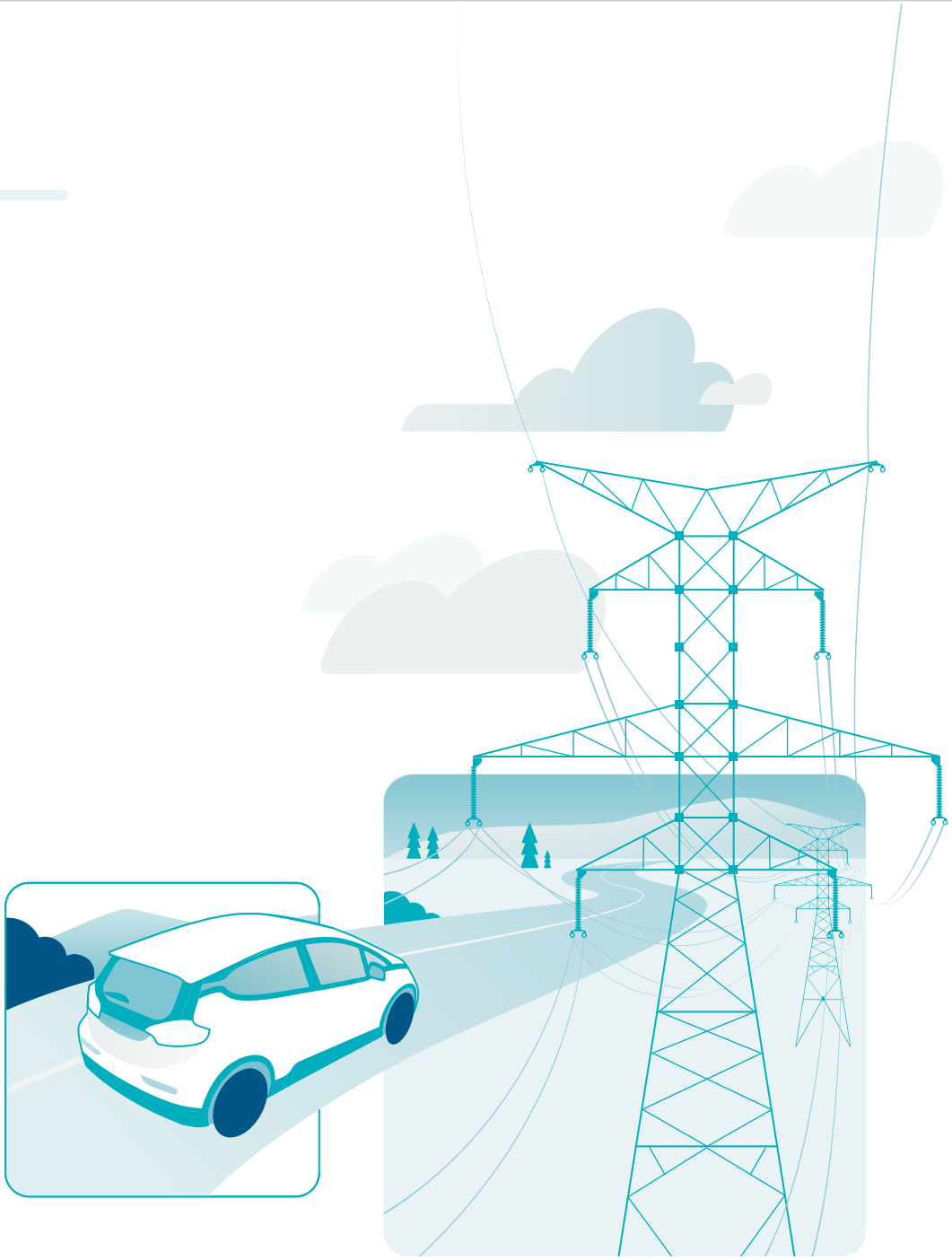
Most significant risk is associated with aggressive decarbonization policy and regulation.

Strategy

Climate-related scenario analysis enables us to explore a range of different possible futures to assess potential future climate impacts. This analysis is one element of the strategy Fortis is executing today to ensure we remain a strong company for years to come. Fortis utilities have been preparing for, and mitigating risk associated with, climate change as part of ongoing business planning for several years. The insights from this work help ensure we can adapt our assets and processes to a changing climate and we can also advance related opportunities.

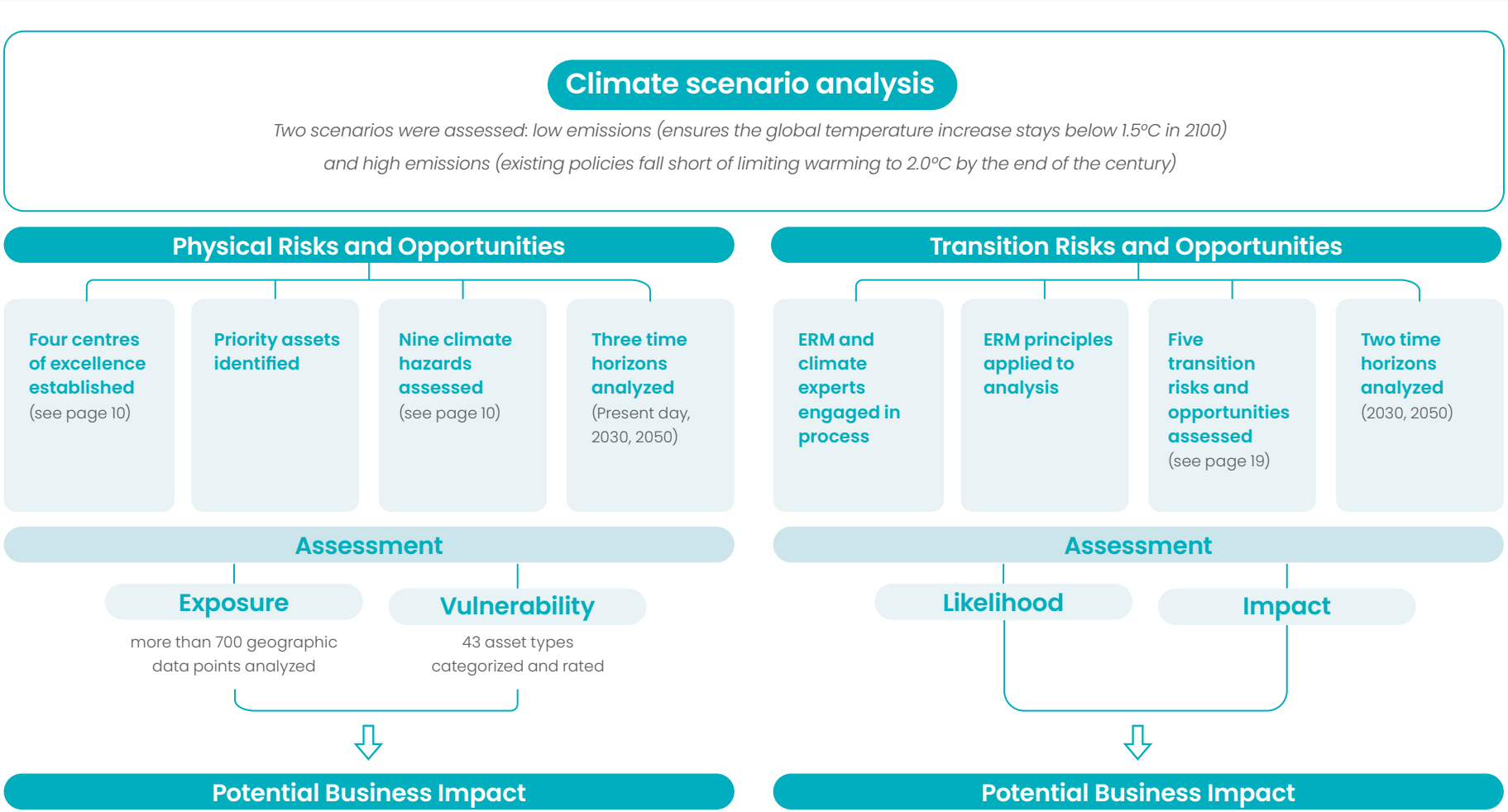
The climate scenario analysis relied on science-based data and collaboration by cross-functional teams across the Fortis group of companies.

Fortis engaged an external advisor with expertise in climate science and scenario analysis. The advisor supported this work throughout, from developing the assessment frameworks to consolidating and analyzing the findings.



Approach to Conduct Climate Scenario Analysis

The following outlines the structure of our most recent climate scenario analysis, using a science-based approach. All Fortis utilities participated and consistent frameworks were applied.



Climate Scenario Analysis – Parameters and Assumptions (physical and transition)

Scenario analysis is a method for developing strategic plans that are robust in different possible future states. By conducting climate scenario analysis, Fortis is informing its strategy and stakeholders on how we are positioned in light of potential future risks and opportunities associated with climate change.

We recognize there are differences between the scenarios we used and those used by others. The scenarios we used were informed by different internationally referenced scenarios, enhanced with regional data and, in the case of the physical analysis, by location specific climate science.[1]

The framework and methodology developed for this climate scenario analysis can be reused in the future. The analysis provided information that is ready to integrate into strategic planning and ERM programs.

The following parameters and analytical assumptions were used in our climate scenario analysis:

- The evaluation focused on direct risks and opportunities.
- The assessment did not include an analysis of exposure to multiple climate hazards occurring at the same time due to limited data availability.
- Looking out to 2030 and 2050, it is assumed that design standards for electricity and natural gas infrastructure will advance to ensure assets remain resilient. Consideration of design standard improvements was not included in this analysis.
- Fortis is virtually 100% regulated, providing cost recovery mechanisms that may assist in mitigating financial impacts of climate risk. The physical assessment did not consider future cost recovery mechanisms.

Two climate scenarios were used to complete our analysis

Low emissions scenario

Sets out a pathway to transition to a low carbon economy with the goal of net zero CO_2 emissions by 2050 and ensures the global temperature increase stays below 1.5 °C in 2100.

In this scenario:

- Heat–related hazards and wildfire risk intensify by 2050, with more pronounced impacts from extreme summer temperatures. For example, the number of cooling degree days in Canada rises from today's 140 to 331.
- Increased electrification and adoption of energy efficient retrofits in the buildings sector. By 2050, the percentage of electricity in the energy mix used in buildings is 71% in Canada and 89% in the U.S.
- Policies, EV sales targets and behavioural change drive the rapid uptake of light-duty passenger vehicles. By 2050, electricity in the energy mix used in transport accounts for 39% in Canada and 17% in the U.S.
- Rapid increased demand for renewable and low-carbon energy sources. By 2050, the proportion of electricity generated from renewables will be 75% in Canada, and 88% in the U.S. In Canada. Nuclear generation has a large role in meeting the increased electrical demand.

High emissions scenario

Assumes no new policies are applied in the years leading up to 2050. Existing policies fall short of limiting warming to 2.0 °C by the end of the century.

In this scenario:

- Extreme summer temperatures, long and warmer summers, strong winds, wildfire risk intensify by 2050 and increasingly affect all regions, to a greater extent than the low-emissions scenario. For example, the number of cooling degree days in Canada rises from today's 140 to 518.
- Demand for electricity in the buildings sector remains relatively flat. By 2050, the percentage of electricity in the energy mix used in buildings is 52% in Canada and 59% in the U.S.
- Minimal uptake of light-duty passenger vehicles. By 2050, electricity in the energy mix used in transport accounts for 8% in Canada and 1% in the U.S.
- Renewable and low-carbon energy demand increases, but not enough to transition away from fossil fuels. By 2050, the proportion of electricity generated from renewables will be 80% in Canada and 45% in the U.S.

[1] Details on climate scenarios located on page 35

Physical Risks and Opportunities – Scenario Analysis

Summary of our process:

Develop assessment

Step 1:

Develop assessment framework

Physical risks and opportunities assessment framework developed

Fortis 2022 climate scenario analysis reviewed to ensure alignment with approach

Step 2:

Establish COEs

Centres of Excellence (COEs) created and executive leads assigned

Physical risks and opportunities assessment framework refined and validated by COEs

Complete assessment using climate science

Step 3:

Identify priority assets

Fortis utilities participating in each COE developed criteria to identify priority assets

Priority assets for climate scenario analysis identified

Step 4:

Conduct climate scenario analysis

Nine climate hazards identified for assessment

Climate science data for specific geographic locations used to assess exposure levels for prioritized assets

Exposure and vulnerability of priority assets assessed under two climate scenarios (low and high) over three time horizons (present day, 2030 and 2050)

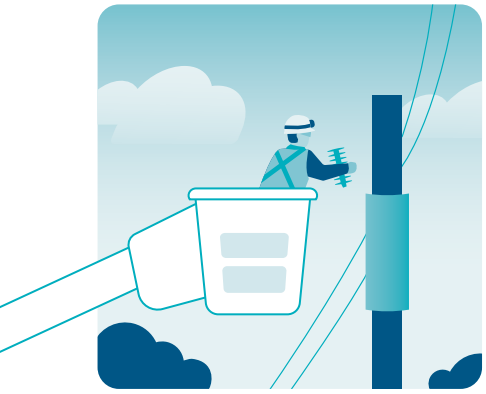
Consolidation and analysis

Step 5:

Consolidation and analysis

Potential business impact was assessed by analyzing the climate exposure and vulnerability data for each COE

Findings refined and validated by COEs and consolidated to describe potential business impacts for Fortis Inc.



Centres of Excellence and Prioritized Assets

COEs were established, with each COE led by a senior executive at a Fortis utility. Each COE represented a significant business area for Fortis. All Fortis utilities participated in at least one COE, providing operational expertise to the assessment.

Fortis utilities participating in each COE identified priority assets based on developed criteria.

Fortis utilities operate in 18 jurisdictions. Physical risks are specific to geography, therefore, local climate data was used for each prioritized asset to get a true reflection of the exposure and vulnerability.

The geographic breadth of Fortis diversifies climate risk and provides a unique opportunity to develop knowledge on a wide range of climate and weather variables.

Risk and opportunity assessment covered more than 20% of Fortis total assets. More than 700 data points for priority assets were assessed using geography-specific climate science.

COE	Lead Utility
Electricity Transmission	ITC
Electricity Distribution	FortisAlberta
Natural Gas Transmission and Distribution	FortisBC
Electricity Generation	TEP

Nine Climate Hazards

Each COE assessed climate change impacts in relation to the following nine climate hazards:

Climate Hazard	Climate Indicator used
Extreme heat and high ambient temperatures	Maximum daily temperature in a year
Summer temperatures and cooling demand	Cooling degree days (in °C)
Extreme cold and low ambient temperatures	Minimum daily temperature in a year
Winter temperatures and heating demand	Heating degree days (in °C)
Water stress	Ratio of total water withdrawals to available renewable surface and groundwater supplies
Strong wind	Annual maximum daily wind gust speed
Climate conditions for wildfire	Annual maximum Forest Fire Danger Index (FFDI)[1]
Flooding	A risk score based on the projected depth of flooding during an event that has a 1% probability of occurring every 100 years
Snowfall	Highest yearly cumulative snowfall per year during a one-day window

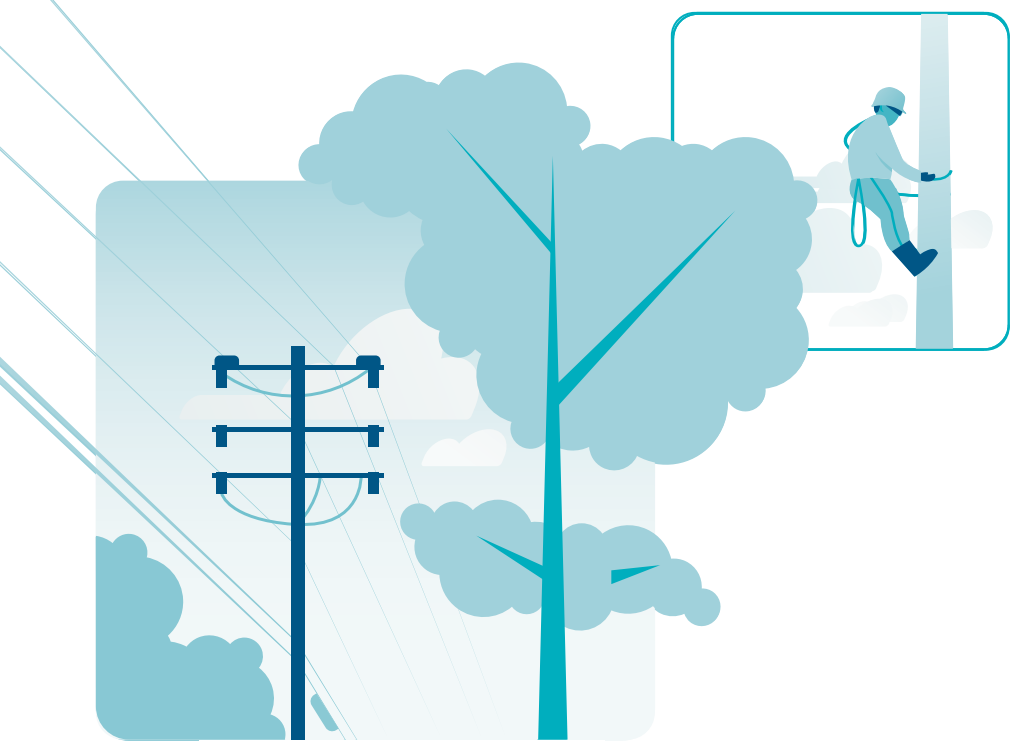
The climate hazards were selected based on historically experienced climate hazards, research on potential hazards in the future and climate data availability. As climate science improves, our assessments will expand to include multiple climate hazards occurring at once and additional information on the frequency and duration of extreme weather events.

[1] Climate conditions for wildfire: The annual maximum FFDI is a measure of vegetation dryness with air temperature, wind speed and humidity

Climate Scenario Analysis – Exposure and Vulnerability

The analysis focused on **potential exposure of assets to the climate hazard and the vulnerability of assets when exposed**.

Exposure considers the nature and degree to which an asset is exposed to significant climate variations, and is dependent on geographic location. Exposure was established based on climate science for each specific geographic area where the priority asset is located. For example, for a solar generation asset located in Arizona, climate science for the specific location of the asset was used to assess exposure.



An increase in exposure to climate hazards does not always translate to a high potential business impact. Often, potential impacts are mitigated through maintenance or capital improvement programs, which decreases vulnerability.

Vulnerability considers the degree to which an asset is susceptible to, and unable to cope with, adverse effects of climate change, including variability and extremes. Vulnerability was established by assigning scores for each asset type and then adjusting, if necessary, based on characteristics of specific assets (i.e., design, age of asset). The assessment included 43 asset types within the four COEs. Examples of asset types include overhead transmission lines and equipment, distribution transformers, hydroelectric power plants and compressor stations.

Similarly, a potential vulnerability does not always translate to a high potential business impact, particularly if the climate hazard does not materialize. (i.e., climate science does not show high exposure).

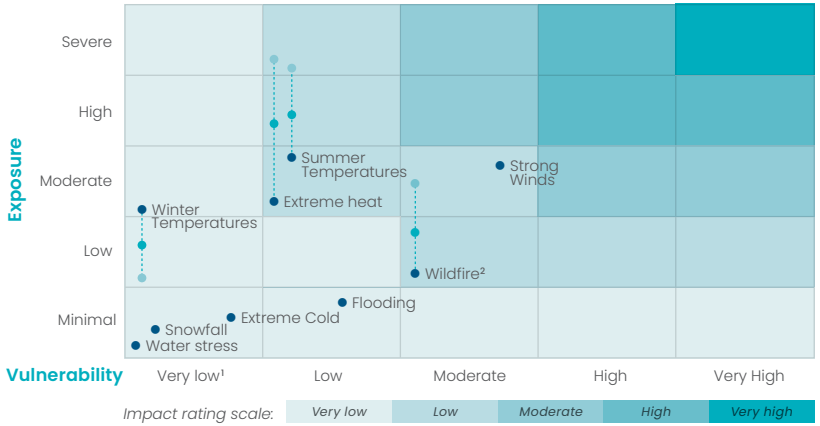
Potential business impacts were determined by looking at both exposure and vulnerability together. Both factors need to be high in order to have a high potential business impact. Without high exposure and high vulnerability, the potential business impact is often moderate or low.

Physical Risks and Opportunities - The Findings

● Present Day ● 2050 Low Emissions Scenario ● 2050 High Emissions Scenario

The following charts depict the exposure and vulnerability associated with climate hazards for each COE in the present day and 2050 for low and high emissions scenarios. Since potential business impacts in 2030 and 2050 were largely aligned, the following includes detailed results for 2050. The results provide an assessment of potential business impacts using a rating scale of very low, low, moderate, high or very high. Vulnerability is assessed as of today and does not consider future investments to enhance resilience. Not all climate hazards have an expected change in exposure to 2050. In these instances, the charts below show no change for 2050. Potential business impact is reflected based on the plotting of exposure and vulnerability.

Electricity Transmission (38% of total assets)

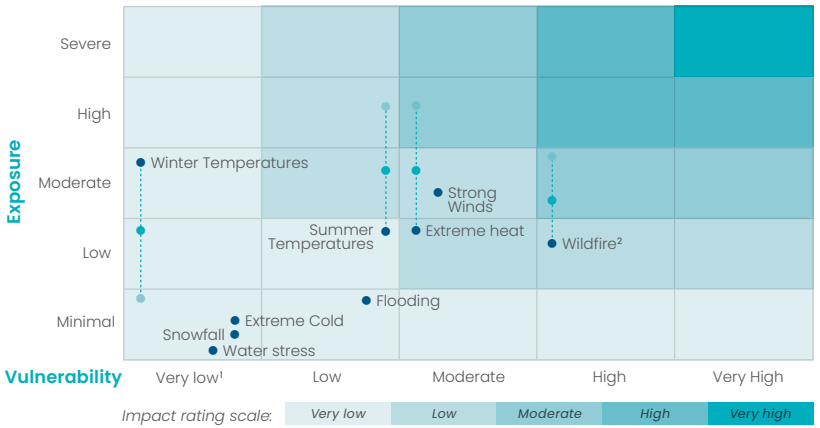


Exposure to warmer temperatures and wildfire risk increases under both scenarios to 2050. Exposure to winter temperatures decreases as milder winters are expected under both scenarios. Transmission assets are most exposed to strong winds, wildfire risk and warmer temperatures. Both scenarios indicate high exposure to heat stress that can impact equipment. Under the 2050 high emissions scenario, cooling demand in Michigan and Minnesota increases by approximately 130% compared to today.

Overhead transmission lines and equipment, including support structures, are most vulnerable to strong winds. Transmission assets are currently exposed to strong winds, which is expected to continue in future. Strong winds increase the likelihood of trees falling, which can further damage equipment. Vegetation management programs are in place to mitigate the risk of falling trees during strong winds. Overall, strong winds and wildfire risk have the highest potential business impact.

Potential business impacts are very low, or low in both scenarios and all time horizons.

Electricity Distribution (38% of total assets)



Exposure to warmer temperatures and wildfire risk increases under both scenarios to 2050. Exposure to winter temperatures decreases as milder winters are expected under both scenarios. Distribution assets are most exposed to warmer temperatures, strong winds and wildfire risk. Both scenarios indicate high exposure to warmer temperatures in 2050. Under the 2050 high emissions scenario, cooling demand at Central Hudson increases by approximately 125% compared to today.

In general, distribution assets are most vulnerable to wildfire risk, strong winds and heat stress. Transformers are most vulnerable to heat stress and wildfire risk. Wood poles are most vulnerable to wildfire risk. Strong winds increase the likelihood of trees falling, which can further damage equipment. Similar to electricity transmission, vegetation management programs are in place to mitigate the risk of falling trees during strong winds.

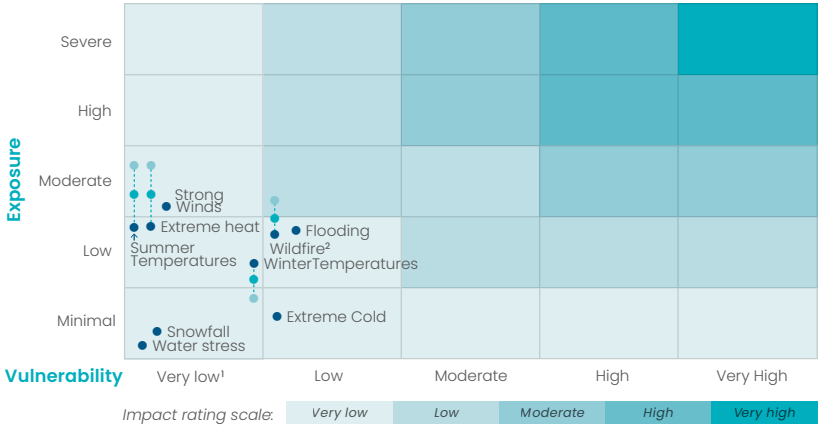
Potential business impacts are very low, low or moderate in both scenarios and all time horizons.

[1] Includes very low vulnerability and low relevance

[2] Represents exposure to climate conditions for wildfire, which is a measure of vegetation dryness with air temperature, wind speed and humidity. Vulnerability considers the local terrain and vegetation at each utility.

● Present Day ● 2050 Low Emissions Scenario ● 2050 High Emissions Scenario

Natural Gas Transmission and Distribution (17% of total assets)

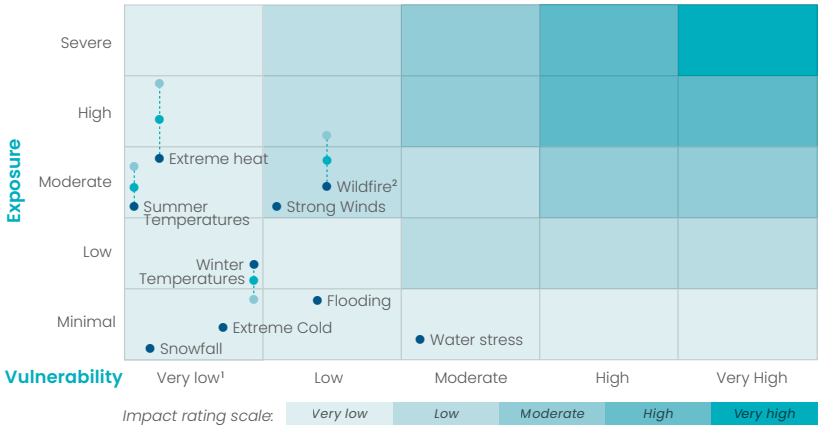


Exposure to wildfire risk and warmer temperatures increases marginally under both scenarios to 2050.

Since much of the natural gas network is underground, the assets are less vulnerable to the climate hazards. Flooding has the highest vulnerability (even though it is still rated as low) as it may affect the integrity of infrastructure, especially when large volumes of water damage roads and create sink holes. Flood-induced soil erosion or damage from debris could affect equipment.

Potential business impacts are very low, or low in both scenarios and all time horizons.

Electricity Generation (7% of total assets)



Exposure to warmer temperatures and wildfire risk increases marginally under both scenarios to 2050. Exposure to winter temperatures decreases as milder winters are expected under both scenarios. Generation assets are most exposed to heat stress.

The majority of generation assets are located at single locations, therefore, climate hazards are better understood and are usually addressed in design and capital improvements, which reduces vulnerability. In terms of specific prioritized assets, hydroelectric power plants are most vulnerable to wildfire risk and water stress.

Potential business impacts are very low, or low in both scenarios and all time horizons.

[1] Includes very low vulnerability and low relevance

[2] Exposure to climate conditions for wildfire is a measure of vegetation dryness with air temperature, wind speed and humidity. Vulnerability considers the local terrain and vegetation at each utility.

Climate Adaptation and Resilience

Grid hardening has long been a key part of asset management and capital planning at Fortis utilities. Our utilities focus on strengthening our assets through replacing aging infrastructure, capital improvements and strong maintenance programs. These actions also mitigate climate risk and make the electricity and natural gas networks more resilient.

Over time, climate change and aging equipment may increase the occurrence of customer outages if left unaddressed. There are five areas we can focus on to mitigate the impact on reliability: improving engineering standards, strong asset management, deploying technology, resilient operations and ensuring adequate supply of key materials and equipment. Integrated resource planning also improves reliability and resiliency.

Fortis utilities maintain what has been built, and make it more resilient. By conducting climate scenario analysis, utilities have greater information when making operational decisions. Robust maintenance and capital plans improve reliability and result in lower long-term costs. This approach is more effective in comparison to being reactive to climate hazards.

The Fortis Operations Group (FOG) has established a climate change adaptation technical committee. This committee conducts corporate-wide research and assessments on topics including aging infrastructure, climate hazards and risk mitigation. Select committee members also participate in the EPRI Climate READi Project to develop a common climate risk framework for utilities.

Fortis executives are active within industry standards groups and work to update standards related to overhead and underground systems, given the guidance on increasing weather-related parameters.

Our climate scenario analysis found that some Fortis utilities are currently experiencing a moderate level of exposure to strong winds, wildfire risk and heat-related hazards. This exposure is expected to increase in the two climate scenarios assessed. The following outlines some of the mitigation plans currently in place at Fortis utilities to build resiliency against these climate hazards. In the future, we anticipate additional mitigation efforts will be required to ensure energy delivery networks continue to be reliable and resilient.

Strong winds

Overhead transmission and distribution lines and structures have historically been exposed to strong winds. At ITC, maximum wind gust speeds are expected to remain relatively consistent under both climate scenarios assessed. At TEP, historical exposure to strong winds has been moderate or high, and is expected to remain consistently high in future climate scenarios. System performance and current asset management plans suggests a degree of preparedness and adaptive capacity.

Mitigation efforts for strong winds across our utilities include:

- ITC has a management plan in place for wood pole replacement, which increases the strength of the grid. ITC is working with a local university to develop the use of machine learning, geographic information system (GIS) data and historical weather data to better predict where storm damage will occur in the future.
- At TEP, a new transmission line located in an area known to experience strong winds was built to a higher design standard. When completing vulnerability assessments for this scenario analysis, the risk rating for this particular asset was lowered because of existing resilience.
- In Atlantic Canada, Maritime Electric partnered with a local university to develop a model to forecast wind accurately, serving as a potential local source for future climate work. Newfoundland Power developed a wind-span design tool to more accurately design electricity distribution structures to withstand extreme wind loading that exceeds the Canadian Standard Association's design standards.
- FortisAlberta has designed its distribution poles to withstand extreme wind speeds, incorporating local wind data to ensure resilience and structural integrity. This approach reflects the utility's commitment to maintain robust and reliable infrastructure in challenging weather conditions.
- FortisAlberta has developed a predictive model to assess a distribution pole's strength based on set parameters. The information provided by the model allows for more focused pole testing and replacement programs. The utility has an ongoing pole replacement program, resulting in a newer and stronger electricity distribution pole system.

Wildfire

Fortis utilities in western Canada, FortisAlberta and FortisBC, already experience high exposure to wildfire risk. While the exposure to wildfire risk is high, the potential business impacts in both scenarios assessed are moderate as a result of strong resiliency and mitigation efforts.

FortisAlberta and FortisBC have developed wildfire mitigation plans to predict, prevent, monitor and respond to wildfires. Both utilities provide wildfire risk management training to key personnel focused on risk mitigation goals and procedures.

At FortisAlberta, in areas where wildfire risk is higher, greater emphasis is placed on grid design, construction and system hardening. Equipment is proactively replaced and protective equipment is installed more frequently. Asset inspections are also prioritized, including enhanced vegetation inspections and management. If an area is under a high wildfire risk warning, certain situations call for a stoppage of work in that area until the risk level is lowered.

Both utilities have near real-time satellite thermal imaging and reporting tools in place, which provide insight on environmental elements that contribute to wildfire hazards. These tools identify potential hot spots or active wildfires near the electricity system, providing information to prioritize mitigation efforts. As an example, FortisAlberta has integrated a variety of data sources into its GIS to enhance operational efficiency and situational awareness. This system offers real-time and predictive insights, ensuring employees are equipped with the necessary information to effectively manage and respond to different wildfire scenarios. At FortisBC's electricity operations, a powerline reclosing policy has been established to prevent automatic re-energization of a powerline when a fire hazard rating reaches a certain level. When a fault is detected, prior to the line being re-energized, a visual inspection of the powerline is required to confirm there is no vegetation on that powerline. This reduces the chance of sparks, and thus mitigates causing a wildfire.

When a wildfire is likely to approach a certain area, wood poles can be protected by applying a fire blocking gel. This mitigation activity is used by FortisBC when a fire is likely approaching an area, but is still far enough away to safely access poles. It provides a high level of short-term protection. Both FortisBC and FortisAlberta have an ongoing wildfire resilience pilot project to assess the effectiveness of fire-retardant pole wraps to mitigate wildfire damage to critical infrastructure.

In the event of a wildfire, formalized protocols are in place to respond through an incident command system. The utility works closely with provincial and municipal governments and local fire response teams. Once the wildfire is properly managed, the performance of mitigation efforts are assessed to understand whether they were successful in reducing the risk of wildfire impacts.

Both FortisAlberta and FortisBC share their wildfire mitigation and response plans with other Fortis utilities and across the industry to create a strong knowledge of effective wildfire mitigation.

Heat-related hazards

Exposure to heat-related hazards was found in each COE analysis.

Protocols are in place to ensure employees are protected from heat-related hazards, including the proper personal protection and adhering to exposure limits.

Much of the natural gas network is underground or enclosed and is, therefore, inherently less vulnerable to most climate hazards, including heat stress. Therefore, the exposure does not translate into a significant potential business impact. Natural gas systems are specifically designed to monitor and manage temperature-related pressure changes, and much of the equipment is underground and protected from surface heat. Capital improvement projects also help ensure natural gas assets are well maintained.

In Arizona, TEP's operations standards for transformers account for extreme heat exposure. The ambient air temperature design specification for transformers is two degrees higher than the all-time record high temperature experienced. To prepare for future higher temperatures, a mitigation plan has been developed to enhance cooling fans on transformer units. Other substation equipment is designed to operate at a maximum temperature of 50°C.

Linking Wildfire Mitigation Efforts to Executive Compensation

New for 2024, a measure has been added to the annual incentive plan focused on enhancing wildfire risk mitigation programs.

The following outlines aggregate climate scenario analysis findings for Fortis Inc.

Approximately 75% of priority assets are expected to experience minimal change in potential business impacts when compared to today.

Physical Risks and Opportunities

	Present Day	Medium Term (2030)	Long Term (2050)	Potential Business Impacts
High emissions scenario	Fortis is currently most exposed to: • Extreme heat • Strong winds • Summer temperatures and increased demand for cooling • Wildfire risk Examples of mitigation measures currently in place for these climate hazards are located on pages 14-16.	Fortis is expected to be most exposed to the same climate hazards as in the present day As a result, the potential business impacts are expected to increase in comparison to the present day	Trends outlined in present day and 2030 intensify with more pronounced impacts from summer temperatures, extreme heat and wildfires risk for certain jurisdictions	**Opportunities:** For certain priority assets, investments may be required to build asset resiliency (hardening) and/or to replace certain priority assets earlier than planned to enhance resiliency An opportunity exists to increase capital expenditures to mitigate climate hazard risk and continue to invest in resiliency and modernization of assets Fortis is virtually 100% regulated, providing cost recovery mechanisms to assist in mitigating the impact of climate risk **Risk:** Service reliability could be negatively impacted due to increased climate hazards and increased demand due to warmer summers
Low emissions scenario	As above	As above; however, risks are less pronounced than in the high emissions scenario	Trends outlined in 2030 intensify with more pronounced impacts from increasing temperatures. However, these impacts are significantly less than in the high emissions scenario.	

Fortis and its utilities will use this information to inform our long-term strategy and operational plans. We remain focused on minimizing climate-related risks, maximizing climate-related opportunities, enhancing resiliency, and continuing to provide reliable, safe and affordable service to customers.

Transition Risks and Opportunities - Scenario Analysis

Summary of our process:

Develop assessment framework

Step 1:

Develop assessment framework

Framework applied the Fortis ERM principles and approach

The process was led by the Director, Internal Audit at Fortis Inc. This position has responsibility for the internal audit and enterprise risk management programs.

Fortis' 2022 climate scenario analysis was reviewed to develop an updated list of material transition risks and opportunities

Five transition risks and opportunities were identified for further assessment

Complete assessment using climate scenario data

Step 2:

Engage ERM and climate leads at each Fortis utility

Validated framework with ERM leads at each Fortis utility to ensure alignment with ERM processes

ERM and climate leads were trained to facilitate transition risks and opportunities assessment workshops

Step 3:

Conduct transition risks and opportunities workshops

Workshops were held at each Fortis utility, led by each respective ERM lead with participation from leadership and climate leads. A consistent approach was used across all workshops.

The five transition risks and opportunities were assessed under two climate scenarios (low and high) over two time horizons (2030 and 2050)

The potential business impacts were evaluated using an ERM impact scale specific to each Fortis utility

Consolidation and analysis

Step 4:

Consolidation and analysis

Potential business impacts were assessed by analyzing workshop findings for each Fortis utility

The results were consolidated using the same approach used for the Fortis ERM program

The following describes elements of the process in more detail.

Transition Risks and Opportunities

Five transition risks and opportunities were identified for further assessment:

- **Uptake in renewable and low-carbon energy sources**
- **Aggressive decarbonization policy and regulation**
- **Change in demand for natural gas**
- **Electrification of vehicles**
- **Electrification of building heating systems and industrial processes**

These were selected based on material transition risks and opportunities identified in the 2022 climate scenario analysis, pertinence to our business, and key data sources from international referenced scenarios[1].

The potential business impacts of these risks and opportunities can vary for electric utilities and natural gas utilities. For example, an increase in demand for electricity might be an opportunity for an electric utility, and might also be a risk for a natural gas utility. In this report, we aim to provide both perspectives.

We analyzed the primary transition risks and opportunities in the scenarios and their potential business impacts.

Transition Risks and Opportunities Assessment - Findings

During each workshop, the likelihood and impact of each scenario was assessed. Likelihood of the transition risks and opportunities was informed by international referenced scenarios.[1]

The potential business impacts were assessed at each Fortis utility using an evaluation methodology aligned with ERM principles. This information was then consolidated in the same manner that risks are aggregated as part of Fortis' ERM program .

Since potential business impacts in 2030 and 2050 were largely aligned, the following includes detailed results for 2050. The results provide an assessment of potential business impacts for Fortis to 2050 for each scenario assessed using a rating scale of very low, low, medium, high or very high.

[1] International referenced scenarios included: Canada (global net-zero scenario, net-zero by 2050, current measures scenario, reference scenario), U.S. (E+ RE+ Scenario, high electrification and 100% renewable by 2050 and net-zero scenario, reference case scenario), and Caribbean (PRO Net-0 H2 scenario and decarbonizing energy scenario (DES), business as usual scenario (BAU) and base energy scenario (BES)).

Fortis Inc.

Electricity Operations

Potential business impacts from electricity-related transition opportunities are very significant in both scenarios. The most significant transition opportunity is increased demand for electricity in relation to aggressive decarbonization policy/regulation and electrification of vehicles. The most significant transition risk is the challenge to achieve mandated emission reductions targets while maintaining resiliency, reliability and affordability.

Transition Risks and Opportunities	2050 Low Emissions Scenario		2050 High Emissions Scenario	
	Description	Potential business impact	Description	Potential business impact
1. Uptake in renewable and low-carbon energy sources	Rapid expansion in the demand for renewable and low-carbon energy		Some increase in the demand for renewable and low-carbon energy, but not enough to transition away from fossil fuels	
Increased use of renewables in electricity generation capacity	**Opportunity** to support energy transition and develop new wind and solar energy generation assets **Risk** related to increased need for demand management and forecasting	Very High (Opportunity outweighs risk)	**Opportunity** will not be as significant in comparison to the low-carbon scenario, but still is expected to exist	High
The following risks and opportunities were assessed as low in both scenarios: increased use of hydrogen and small modular nuclear reactors; increased distributed energy resources; increased competition from new entrants in the renewable energy market				
2. Aggressive decarbonization policy and regulation	Widespread adoption of highly stringent energy/climate regulations and standards		No new energy/climate policies or government action plans beyond measures already in place	
Increased demand for electricity	**Opportunity** related to increased electricity demand **Risk** related to the ability to meet peak electricity demand requirements affecting reliability and reputation	Very High (Opportunity outweighs risk)	Scenario does not indicate these risks/opportunities will have a significant business impact beyond existing baseline levels	
Challenge to achieve mandated emission reductions targets while maintaining reliability and affordability	**Risk** related to maintaining reliability, affordability, achieving mandated emissions reductions targets and ensuring peak demands are met while not negatively impacting reputation	Very High		
Potential misalignment between government mandated targets and approval criteria used by regulators for capital investments	**Risk** related in the ability to recover costs to explore lower-carbon options and investments to achieve government mandated targets	Moderate		
Financial incentives to shift from fossil fuels toward renewables and storage capacity	**Risk** related to ability to earn a reasonable return on investments resulting from third-party incentives. **Opportunity** to use certain funding options to minimize risk for cleaner energy investments	Moderate (Risk outweighs opportunity)		
The following risk was assessed as low in both scenarios: potential increasing pressure to achieve government mandated targets at a specific rate				
3. Electrification of vehicles	Policies, EV sales targets and behavioural change increase uptake of light-duty electric vehicles		Minimal uptake of light-duty electric vehicles	
Increased demand for electricity	**Opportunity** to deliver more electricity to customers to meet increased demand associated with EV use	Very High	Scenario does not indicate the risk/opportunity will have a significant business impact beyond existing baseline levels	
4. Electrification of building heating systems and industrial processes	Progress related to the electrification of buildings and industrial processes			
The following opportunities were assessed as very low or low in both scenarios: introduction of heat pumps and increased electricity demand for cooling systems; increased use of electricity for industrial processes; electrification of building heating systems and industrial processes				

Fortis Inc.

Natural Gas Operations

Transition opportunities relate to changing demands for natural gas (such as expansion of LNG markets for marine bunkering and transportation, and producing and/or delivering hydrogen and renewable natural gas). These opportunities are dependent on the economy transitioning to a lower-carbon economy as outlined in the low emissions scenario. The most significant transition risk is the aggressive decarbonization policy and regulation, particularly if natural gas is not considered as part of the transition to a lower-carbon economy.

Transition Risks and Opportunities

	2050 Low Emissions Scenario		2050 High Emissions Scenario	
	Description	**Potential business impact**	**Description**	**Potential business impact**
1. Aggressive decarbonization policy and regulation	Widespread adoption of highly stringent energy/climate regulations and standards		No new energy/climate policies or government action plans beyond measures already in place	
Challenge to achieve mandated emission reductions targets while maintaining reliability and affordability	**Risk** related to maintaining reliability, affordability and achieving mandated emissions reductions targets	Very High	Scenario does not indicate the risk/opportunity will have a significant business impact beyond existing baseline levels	
2. Electrification of building heating systems	Increased electrification and adoption of energy efficient retrofits in the buildings sector		Demand for electricity in the buildings sector remains relative flat	
Increased use of electricity for building heating	**Risk** related to increased switching of building heating from oil or natural gas to electricity	Moderate	Scenario does not indicate the risk/opportunity will have a significant business impact beyond existing baseline levels	
3. Change in demand for natural gas	Significant decline in the demand for natural gas		Reliance on fossil fuels slows, but continues	
Decreased demand for natural gas	**Risk** related to decreased natural gas demand	Moderate	Scenario does not indicate the risk/opportunity will have a significant business impact beyond existing baseline levels	
Increased demand for LNG	**Opportunity** to deliver LNG for use in marine bunkering and other heavy duty transportation uses	Moderate	**Opportunity** to deliver LNG for use in marine bunkering and the transportation sector	Moderate
Increased injection of hydrogen into the natural gas network and/or hydrogen production to serve customers	**Opportunity** to use hydrogen for injection into natural gas system, potential production of hydrogen from electricity and hydrogen use for transportation and industrial processes	Moderate	Scenario does not indicate the risk/opportunity will have a significant business impact beyond existing baseline levels	
Increased portion of RNG in gas network	**Opportunity** to contract or produce RNG to increase RNG use and decrease emissions	Moderate	Scenario does not indicate the risk/opportunity will have a significant business impact beyond existing baseline levels	

The following risk was assessed as low in both scenarios: increased competition from new entrants in the renewable energy market

The following outlines aggregate transition climate scenario analysis findings for Fortis Inc. The information was consolidated using the Fortis ERM process and methodology.

	Medium Term (2030)	Long Term (2050)	Potential Business Impacts
Low emissions scenario	**Opportunities:** The electrification of the economy and the resulting need to expand the grid presents a substantial business opportunity for Fortis Investments in new generating capacity (e.g., solar and wind), storage and interconnection also represent a significant opportunity for Fortis Opportunities exist to deliver LNG for use in marine bunkering and other heavy duty transportation uses, and increase use of hydrogen and use (or production) of RNG **Risks:** Aggressive decarbonization policies and the potential misalignment with utility regulation is the main potential driver for transition risks, particularly if natural gas is not considered as part of the energy transition Most electricity-focused Fortis utilities may be challenged to meet mandated emissions reduction goals, if efforts negatively impact rates and affordability Other risk factors include distributed energy resources and new low-carbon market entrants	**Opportunities:** Trends seen in 2030 intensify with more pronounced positive impacts By 2050, the electrification of the transportation sector arises as the most significant business opportunity for many Fortis utilities **Risks:** Trends seen in 2030 intensify with more pronounced negative impacts Other risks may become significant such as the challenge to meet peak demand for electricity and the need to invest in emission reduction and energy efficiency programs	Transition risks and opportunities are more present in the low emissions scenario and become more pronounced by 2050. For electricity operations, the overall energy transition opportunities outweigh the potential risks for Fortis overall, by 2050. Transition opportunities are present in both scenarios for the electricity business and are therefore quite likely to materialize. For natural-gas operations, risks are present in both scenarios. Important opportunities exist and are dependent on increased LNG demand and the decarbonization of the gas system with the use of hydrogen and RNG gaining momentum. Jurisdictional policies will influence whether the opportunities outweigh risks.
High emissions scenario	Decarbonization policy risks are less significant, and opportunities related to electrification and new renewable generating capacity are also smaller	For both risks and opportunities, trends seen in 2030 intensify with more pronounced impacts, but to a lesser extent than in the low emissions scenario	Whether opportunities outweigh risks when considering the overall decreasing demand for natural gas in residential, commercial and industrial buildings by 2050, remains unclear and will depend on jurisdictional policies.

Completing the work outlined in our 2022 TCFD and Climate Assessment Report

Initial Climate Scenario Analysis Completed at all Fortis Utilities

After completing our initial climate-related scenario analysis at our five largest utilities[1] in 2022, we completed the same analysis at the remaining six Fortis utilities: Caribbean Utilities, Fortis Belize, FortisOntario, FortisTCI, Maritime Electric and Newfoundland Power. Combined, these utilities account for approximately 8% of Fortis total assets and 14% of Fortis electricity customers[2].

The findings of this analysis were similar to those of the initial analysis completed at our five largest utilities. Significant transition risk is expected, particularly in the lower-carbon scenarios, and policy and regulatory advancements are required for the clean energy transition to successfully occur. Physical risks associated with climate change will require increased adaptation investment to ensure Fortis utilities continue to deliver safe, reliable service to customers.

Findings also identified opportunities, including increased electrification and new lower carbon energy solutions. Four of the six utilities serve customers on islands either in the Caribbean or Atlantic Canada[3]. As expected, physical risks identified for these four utilities included rising sea levels and more intense storms.

As Fortis utilities manage these risks and pursue related opportunities, customer affordability and system reliability will remain key pillars of our long-term business strategy.

[1] Findings of this analysis were included in the Fortis 2022 TCFD and Climate Assessment Report
[2] These six utilities do not have natural gas customers
[3] Caribbean Utilities, FortisTCI, Maritime Electric and Newfoundland Power serve island-based customers

Risk Management

Our enterprise risk management program assesses and manages risks, including climate risk, that have the potential to affect business performance and strategy

Enterprise Risk Management Program

Board Oversight

- The Fortis board, through the audit committee, oversees the Fortis ERM program. The board is responsible for understanding the material risks and mitigation strategies, and for taking reasonable steps to ensure that management has an effective risk management system in place relative to the risk profile.

ERM Methodology

- The ERM process identifies and evaluates risks by both severity of impact and probability of occurrence. An internal process is in place to monitor and manage identified risks.
- Risks are categorized according to impact after considering mitigating controls using a five point scale (very low, low, moderate, high, very high). This is the same scale used to assess transition risks and opportunities included in this report.
- Current and planned mitigation activities are captured and assigned ownership at the appropriate level.
- To assess climate-related *opportunities*, a framework similar to ERM is used.

Utility Risk Management Programs

- Each Fortis utility has its own established ERM program, which is overseen by each respective board of directors.
- Material risks are communicated to Fortis management and aggregated into the Fortis ERM program.

A summary of significant business risks for Fortis is included in our Management Discussion and Analysis. Climate-related risks identified include: physical risks, climate change, environmental regulation, weather variability and seasonality, and natural gas competitiveness.

Additional information on the enterprise risk management program is included in the Management Information Circular.

Governance

The Fortis governance model prioritizes local leadership.

By ensuring utility leadership's primary focus is on the communities served, it enables a better understanding of customer priorities, regulatory frameworks, assets and geographic considerations.

We tap into this vast network to form cross-functional groups that share expertise and collaborate on the issues most pertinent to our group of utilities.

Fortis and its highly qualified board of directors provide effective oversight and direction to ensure our strategy remains focused on long-term value creation.

This model is a strength of Fortis, and is unique in our industry. It was leveraged to complete the comprehensive climate scenario analysis detailed in this report. We supported operational subject matter experts by providing assessment frameworks, climate scenarios and geographic-specific climate science data to create an analysis that will better inform asset management decisions as well as strategic and capital plans.

More information on our corporate governance framework is available in our Management Information Circular

Board Oversight of Climate-Related Risks and Opportunities

Fortis Inc. Board of Directors

Responsible for the stewardship of Fortis

Oversees and, where appropriate, approves Fortis' strategies, policies, and practices relating to sustainability objectives, including climate matters

Strategic planning and implementation considers, among other things, the opportunities and risks of the business (including climate-related risks and opportunities) with a view to enhancing long-term shareholder value

Reviews management's implementation of appropriate sustainability policies and practices

Governance & Sustainability Committee

Climate-related responsibilities:

Oversees strategic plans and opportunities to ensure operational alignment of sustainability objectives, including climate-related targets and progress towards those targets

Reports and makes recommendations to the board with respect to maturity assessments and/or climate scenario analysis undertaken or performed

Reviews sustainability reporting, including climate-related risks and opportunities, emissions reduction targets and sustainability-related reports

Human Resources Committee

Climate-related responsibilities:

Assesses performance of the senior executives, which includes climate-related measures

Designs and oversees the compensation and benefits program for senior executives and the CEO, ensuring alignment with Fortis' risk management framework, sustainability objectives and corporate performance

Audit Committee

Climate-related responsibilities:

Oversees the ERM program, including climate-related matters, and internal controls and processes associated with sustainability-related disclosures

Fortis Board of Directors

11 of 12
board members are independent

Board committees are **100% independent**

Separate
Chair and CEO positions

Skills matrix for the board includes experience in sustainability, including climate expertise. In 2023, nine board education sessions were held, four of which focused on climate-related topics.

Three members of the GSC committee have either completed (or are in the process of completing) external education programs focused on board oversight of climate change. The Board Chair is a faculty member for the Institute for Corporate Directors Climate Change education program.

Fortis Board oversight of climate-related matters

The governance and sustainability committee met five times in 2023. During each meeting, the committee received an update on climate-related issues and relevant progress towards corporate emissions targets and sustainability priorities. These updates were provided by members of the executive team.

The governance and sustainability committee reviews and recommends for approval by the Fortis board, the annual sustainability report and also this climate report prior to release.

Governance of climate-related matters at Fortis utilities

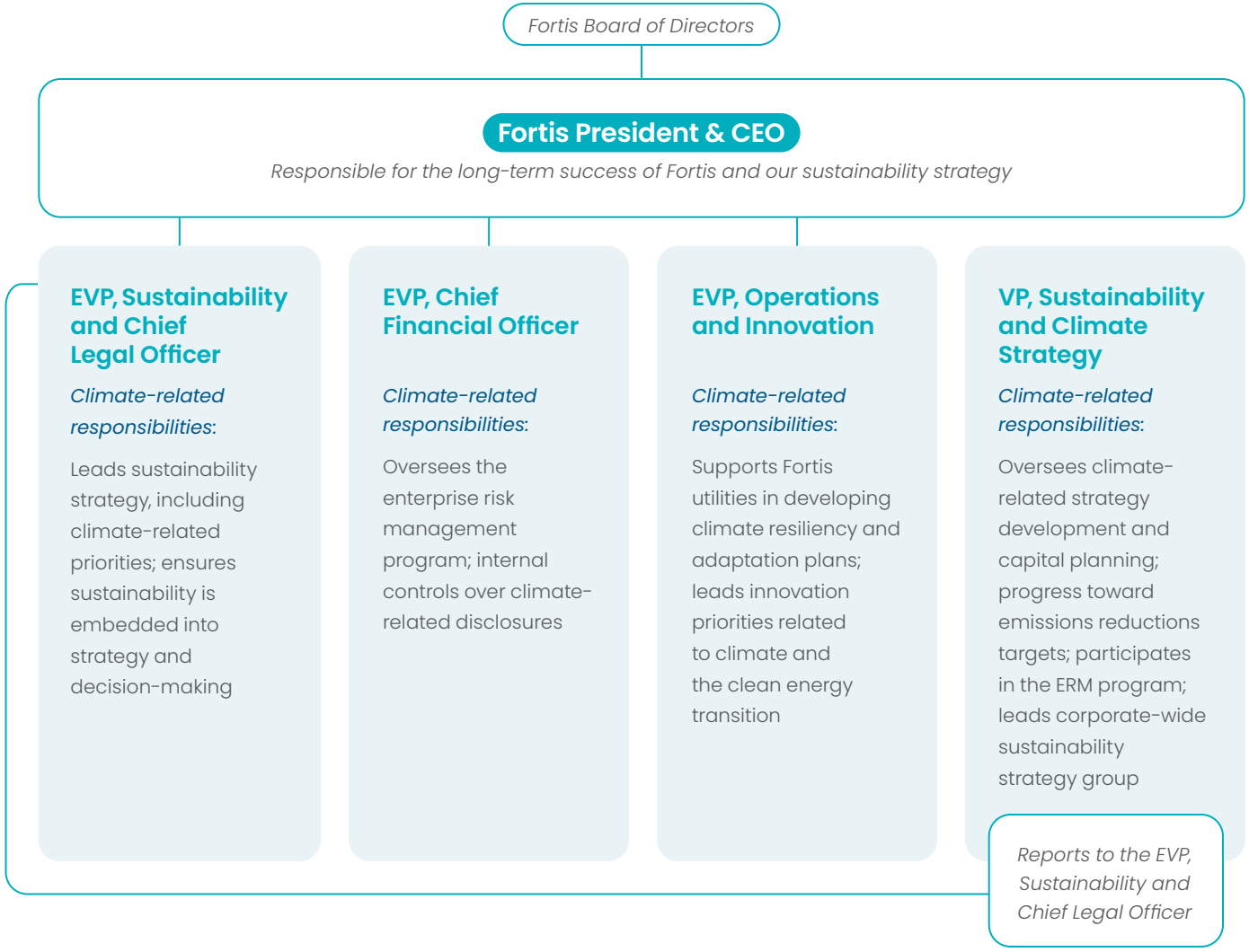
Each of Fortis' significant operating subsidiaries is governed by its own board of directors comprised of a majority of independent directors and its own independent chair. Subsidiary boards typically include the subsidiary's CEO, one or more officers of Fortis and in certain cases an executive of another Fortis operating subsidiary or a Fortis director.

Subsidiary boards incorporate oversight of climate-related risks and opportunities as part of its governance structure in a similar manner as Fortis. This governance approach creates consistency across Fortis utilities and helps to ensure the appropriate level of focus and importance is placed on climate matters.

Fortis Executive Oversight and Management of Climate-Related Issues

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

Climate-related work is embedded across Fortis utilities, with broad collaboration to drive forward important initiatives. The scenario analysis included in this report is one example of Fortis utilities working together on climate-related risks and opportunities.



How is Fortis informed about climate-related issues?

The Fortis sustainability strategy group is led by the Fortis Vice President, Sustainability and Climate Strategy and includes senior executives from each utility who meet regularly to develop and assess the corporate-wide sustainability strategy.

Other cross-functional groups are established and deal with operational matters and identify opportunities for collaboration across the group of companies.

Collaboration in action across the Fortis group of companies

If an acute physical climate-related issue occurs at a Fortis utility (for example, an extreme weather event impacting a service territory), Fortis relies on its relationships across the group to ensure timely reporting, including:

1. The President and CEO of the Fortis utility will communicate with the Fortis executive responsible for the respective utility, which is either the Fortis President and CEO or the Executive Vice President, Operations and Innovation.
2. The utility President and CEO will communicate to its board of directors, which includes Fortis executive representatives.
3. The executive responsible for operations at the Fortis utility will communicate and engage with members of FOG, which includes operational executives from Fortis and all Fortis utilities. FOG members work together to drive operational excellence and provide emergency response assistance.

Management and oversight of climate-related issues at Fortis utilities

Similar to Fortis, climate-related issues are considered at Fortis utilities through ongoing strategic planning discussions and risk management programs. Each Fortis utility has sustainability responsibility assigned to an executive position, and team members have specific responsibility for sustainability matters related to the service territory served.

As part of the Fortis local business model, Fortis utilities are responsible for regulatory proceedings in each respective service territory. Regulatory requirements related to climate change are incorporated into resource plans and submitted to regulators.

Metrics & Targets

Fortis manages and measures climate-related performance using key metrics and establishes clear targets that are monitored regularly to ensure we are making meaningful progress. This information is integral to establishing future priorities and developing our strategy.

GHG Emissions Reduction Targets

Scope 1 emissions reduction targets

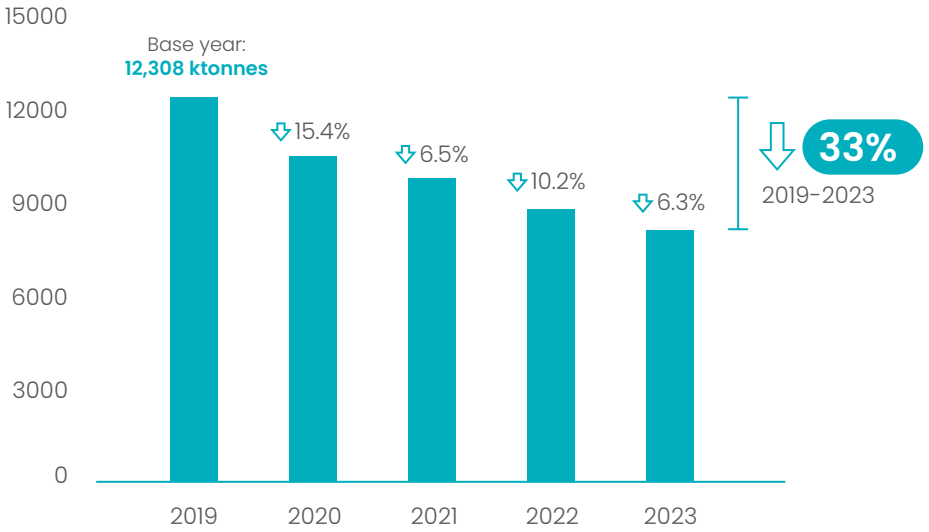
50% by 2030
2019 baseline year
Established in 2022

75% by 2035
2019 baseline year
Established in 2020

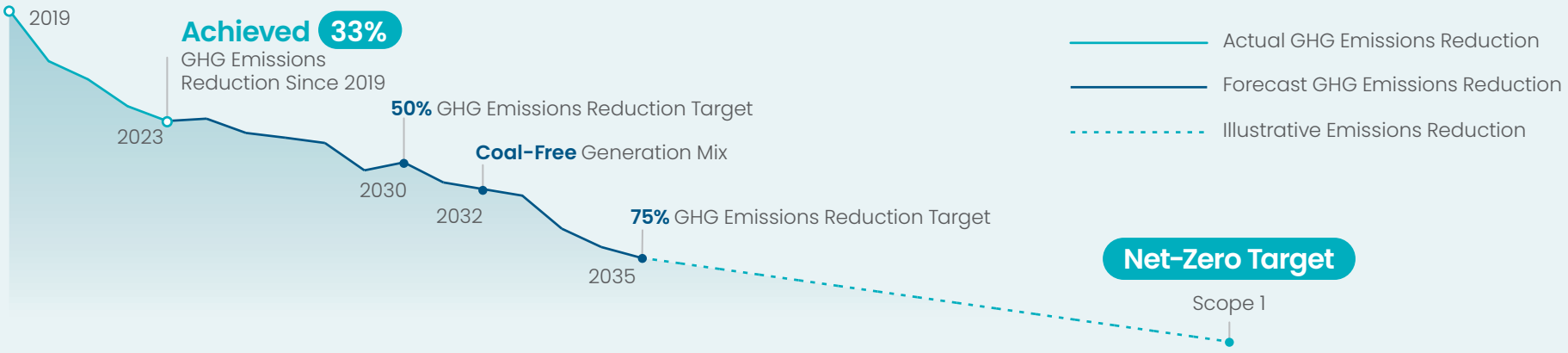
2050 Net-Zero
Established in 2022

Historical progress towards targets

Scope 1 emissions (ktonnes of CO_2e)



Our planned trajectory to net-zero



Fortis is primarily an energy delivery company

By 2035

99% of Fortis assets are expected to be energy delivery assets or renewable, carbon-free generation assets

Fortis GHG Emissions Reductions Targets – Key Facts:

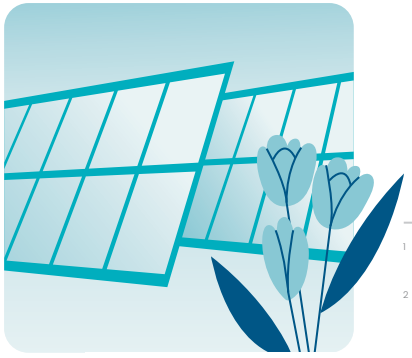
- Targets are presented as absolute values and align with the goals of the Paris Agreement and exceed the pace of reduction outlined in the 2°C pathway
- Progress towards meeting targets is reviewed and disclosed regularly (annually at a minimum) as part of Fortis' overall strategic planning process
- There is a clear path to achieve both interim targets (50% by 2030 and 75% by 2035). An annual forecasting process is in place, which requires all Fortis utilities to forecast scope 1 emissions on an annual basis through to 2035.
- Beyond 2035, the majority of scope 1 emissions will be associated with natural gas generation at TEP, which is viewed as critical to deliver safe, reliable and affordable energy to customers. Our 2050 net-zero target will require advancements in technology, such as the ability to use lower-carbon fuel and potential hydrogen injection. We are making investments now to help make these required technology advancements a reality.
- TEP's 2023 Integrated Resource Plan (IRP) included plans to rely less on coal generation from 2028–2032 by ramping up renewable energy and hydrogen-ready natural gas generation capacity, lowering expected cumulative emissions during the period. The IRP reaffirmed TEP's plan to fully exit coal generation by 2032, resulting in Fortis having a coal-free generation mix by 2032[1]. Today, coal electricity generation represents 3.1% of rate base.[2]

[1] TEP is the only Fortis utility with coal-fired generation
[2] As of December 31, 2023

Climate-Related Metrics

Strategy, Execution, Results

	Direct GHG emissions reduction	Renewable energy	Renewable natural gas (RNG)	Cleaner energy and resiliency/ modernization capital expenditures[2]
2019	Corporate-wide direct GHG emissions targets baseline year	2,288 GWh of renewable energy generated	11 ktonnes of CO_2e of avoided emissions from the use of RNG	$2.5 billion
2020	⇩ 15% reduction in direct GHG emissions since 2019	⇧ 5% increase in renewable energy generated since 2019	19 ktonnes of CO_2e of avoided emissions from the use of RNG	$3.0 billion
2021	⇩ 20% reduction in direct GHG emissions since 2019	⇧ 27% increase in renewable energy generated since 2019	57 ktonnes of CO_2e of avoided emissions from the use of RNG	$2.4 billion
2022	⇩ 29% reduction in direct GHG emissions since 2019	⇧ 37% increase in renewable energy generated since 2019	214 ktonnes of CO_2e of avoided emissions from the use of RNG	$2.7 billion
2023	⇩ 33% reduction in direct GHG emissions since 2019	⇧ 25% increase in renewable[1] energy generated since 2019	265 ktonnes of CO_2e of avoided emissions from the use of RNG	$2.9 billion



[1] 2023 generation at the TEP Oso Grande wind facility decreased in comparison to 2022 due to maintenance issues

[2] Cleaner energy capital is defined as investments that reduce air emissions, water usage and/or increase customer energy efficiency. Resiliency and modernization includes capital expenditures required to ensure continued and enhanced performance, reliability and safety.

Climate Action at Fortis

2019

- Provided additional breakdown of five-year capital plan in terms of asset resiliency, modernization and cleaner energy initiatives

2020

- Set corporate-wide direct GHG emissions reduction target of 75% by 2035 from a 2019 base year
- Expanded board and committee mandate to focus specifically on climate change
- Executive compensation link to sustainability strengthened by adding a new measure to address carbon reduction and climate change

2021

- Committed as a TCFD supporter
- Identified climate-related risks and opportunities under four climate scenarios at five largest utilities

2022

- Issued inaugural TCFD and Climate Assessment Report
- Identified climate-related risks and opportunities under four climate scenarios at remaining utilities (see page 22 for summary findings)
- Set corporate-wide GHG emissions reduction target of 50% by 2030 from a 2019 base year and established 2050 net-zero direct GHG emissions target
- Identified high-risk physical impacts of climate change across utilities and completed aging infrastructure assessment
- Increased industry engagement on climate matters (Cdn. Standards Association, EPRI, Energy Impact Partners)
- Established a corporate credit facility, which included sustainability linked incentive pricing tied to GHG emissions reductions and board diversity
- Annual incentive included the completion of climate scenario analysis at remaining Fortis utilities not included in the initial TCFD and Climate Assessment Report. Carbon emission reduction measure added to long-term incentive plan.

2023

- Completed detailed physical and transition risk and opportunity assessments using two climate scenarios
- Developed action plans to accelerate the replacement of aging and vulnerable assets
- Executive compensation increase in weighting for ESG leadership and safety performance

Climate Action at Fortis Utilities

2019

- FortisBC developed its Clean Growth Pathway. This included targets to reduce GHG emissions associated with customers' energy use 30% by 2030; more than 15% of gas supply to come from renewable sources by 2030, with the potential to have 75% or more renewable or low carbon sources by 2050
- TEP retired 168 MW of coal-fired generation

2020

- TEP set targets to reduce carbon emissions 80% by 2035, have a coal-free generation mix by 2032, more than 40% power delivered from renewables and battery storage in 2030 and more than 60% in 2033
- FortisBC established its Clean Growth Innovation Fund

2021

- TEP commissioned the 250 MW Oso Grande Wind project and additional solar and battery storage

2022

- Central Hudson established target to have 10% of its fleet electrified by 2025 and 50% electrified by 2030
- Maritime Electric completed Climate Change Risk Assessment Report and established target to reduce GHG emissions 55% by 2030
- TEP retired 170 MW of coal-fired generation

2023

- Central Hudson completed and filed Climate Vulnerability and Resilience Plan Reports with its regulator
- Newfoundland Power established target to reduce controlled GHG emissions 55% by 2035 compared to 2019 levels
- FortisBC established a sustainability linked loan with incentive pricing that incorporates scope 3 emissions reductions and Indigenous involvement in projects
- TEP established aspirational net-zero goal

Metrics

Metrics are critical to track progress and identify opportunities for improvement. Fortis uses metrics to measure performance, inform strategy, manage risk and seize opportunities associated with climate change.

Our approach to reporting climate-related metrics:

Key performance indicators are reported annually in our sustainability report. Metrics are disclosed consistently year over year, including five years of historical data.

Fortis is in full alignment with applicable SASB and GRI standards and annually completes the EEI ESG/ Sustainability Reporting template, which provides uniform and consistent information for the electricity industry.

GHG Protocol Corporate Accounting and Reporting Standards are followed for emissions reporting.

In recent years, Fortis partnered with 24 First Nations communities to develop the Wataynikaneyap Power Project. The project involves construction of an 1,800 kilometre transmission line to connect First nations communities to the power grid for the first time. From 2017-2023, Fortis divested two assets[3] and did not acquire any companies, focusing on organic growth. Neither the Wataynikaneyap Power partnership nor the two divestments materially affected climate-related metrics.[3]

Third-party limited assurance was implemented for scopes 1 and 2 emissions commencing in 2022. Base year for targets (2019) also received third-party limited assurance.[2]

Annually, Fortis reports climate-related financial metrics, including breakdowns of revenue, midyear rate base and capital expenditures by type of generation and by transmission and distribution of electricity and natural gas. All key performance indicators are available in our 2023 Sustainability Update Report.

Capital expenditures (2019-2023)[1]:

$10.2 billion
in resiliency and modernization

$3.3 billion
in cleaner energy investments

Across the group of companies, we have over $2 billion of credit facilities with sustainability-linked pricing features.[4] Since 2020, Fortis utilities have issued approximately $675 million of green bonds in support of environmental benefits, including reducing GHG emissions.

[1] The Capital Plan is a forward-looking Non-U.S. GAAP financial measure calculated in the same manner as Capital Expenditures. Refer to 2023 annual results MD&A for the Non-U.S. GAAP reconciliation. Cleaner energy capital includes capital expenditures that support reductions in air emissions, water usage and/or increases customer energy efficiency. Sustaining capital includes capital expenditures required to ensure continued and enhanced performance, reliability and safety.

[2] Limited assurance on 2023 data to be completed later in 2024

[3] Fortis sold its 51% interest in the Waneta Expansion Hydroelectric Project in British Columbia in 2019 and FortisBC Holdings completed the sale of its interests in the Aitken Creek natural gas storage facilities in 2023.

[4] Reflects sustainability linked loans that contain targets related to GHG emissions reductions and renewable generation.

Further analysis of scope 3 emissions categories

In 2023, Fortis completed a project to identify material scope 3 emissions categories using the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard[1]. Based on the analysis, the material scope 3 emissions categories for Fortis are category 3 (Fuel and Energy Related Activities) and 11 (Use of Sold Products). Fortis currently reports on select scope 3 emissions within categories 3 and 11.

Fortis recently participated in a project led by EPRI designed to improve scope 3 emissions calculation and reporting.

The following priority areas were identified:

Refine emissions reporting for material scope 3 emissions categories

Data collection for categories 3 and 11 will be further refined and results will be included in the 2024 sustainability report

Collaborate and share information to develop greater clarity on scope 3 emissions reporting

Continue collaboration with peers and industry groups to develop greater clarity on scope 3 emissions reporting, specifically for utility companies focused on energy delivery

We will continue to improve our data collection approach and methodologies to provide relevant reporting to investors and stakeholders.

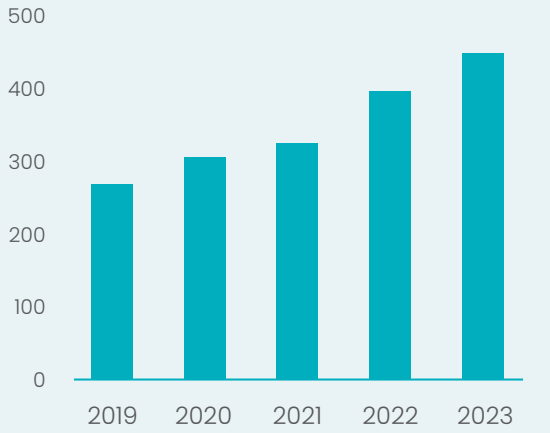
Resource planning and carbon pricing

Each Fortis utility conducts resource planning to help evaluate and identify cost-effective solutions to provide the best service to customers.

In certain situations, carbon pricing assumptions are used to ensure carbon price impacts are reflected as part of resource planning.

Carbon pricing and approach varies by jurisdiction. Fortis utilities apply forecast carbon pricing to their resource, capital and financial planning as applicable within their jurisdictions.

Annual amount of carbon taxes paid by Fortis ($M)



[1] Fortis acknowledges a company has less control over its indirect scope 3 emissions in comparison to scopes 1 and 2. Limitations of scope 3 emissions reporting include accurate measurement and methodology challenges.

Aligning climate-related performance with executive compensation

Our executive compensation program is based on a pay-for-performance philosophy focused on short- and long- term objectives. Our incentive plans have measures related to climate change, including carbon emissions reductions. Annual and long-term incentive plans motivate executives to achieve strong annual and long-term business performance respectively, and aligns executive and shareholder interests.

Weightings on climate-related objectives and performance have increased in recent years as part of the overall Fortis executive compensation program. In 2024, a target specific to climate disclosure and wildfire risk mitigation has been added to the annual incentive.

Additional Financial or Climate-Related Disclosures

2022 TCFD and Climate Assessment

2023 Sustainability Update Report

2023 EEI Sustainability Quantitative Template

2023 Management Discussion and Analysis

Management Information Circular

Board and Committee Mandates

Additional information is available at fortisinc.com/sustainability

Abbreviations

COEs	Centres of Excellence
CUC	Caribbean Utilities Company (a Fortis company)
ERM	Enterprise Risk Management
EV	Electric Vehicle
EPRI	Electric Power Research Institute
FFDI	Forest Fire Danger Index
FOG	Fortis Operations Group
GIS	Geographic Information System
GHG	Greenhouse Gas
GWh	Gigawatt Hours
ISSB	International Sustainability Standards Board
IRP	Integrated Resource Plan
ITC	ITC Holdings Corp. (a Fortis Company)
LNG	Liquified Natural Gas
MW	Megawatts
RNG	Renewable Natural Gas
TCFD	Task Force on Climate-Related Financial Disclosures
TEP	Tucson Electric Power (a Fortis company)

Climate scenarios – detailed information

Our low emissions scenario considers the Intergovernmental Panel on Climate Change's (IPCC) SSP1-RCP2.6 scenario for the physical risk evaluation, which is largely consistent with the Canadian Energy Regulator's (CER) 2023 Canada's Energy Future: global net-zero scenario, ESMIA's 2022: net-zero by 2050 scenario, Princeton's Net-Zero America (NZA) Study I: E+ RE+ high electrification and 100% renewable scenario, the International Energy Agency's (IEA) 2023 World Energy Outlook (WEO): net zero emissions by 2050 scenario, the Latin America Energy Organization's (OLADE) 2022 Energy Outlook for Latin America and the Caribbean: PRO Net-0 H2 scenario and the International Renewable Energy Agency's (IRENA) 2022 Renewable Energy Roadmap for Central America: decarbonizing energy scenario.

Our high emissions scenario considers the IPCC's SSP5-RCP8.5 scenario for the physical risk evaluation and the CER's 2023 Canada's Energy Future: current measures scenario, ESMIA's 2022: reference scenario, Princeton's NZA Study I: reference case scenario (no new policies), OLADE's 2022 Energy Outlook for Latin America and the Caribbean: business as usual scenario and IRENA 2022 Renewable Energy Roadmap for Central America: base energy scenario.

Forward Looking Information

Fortis includes forward-looking information in this climate 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 2030 GHG emission reduction target; the 2035 GHG emissions reduction target and projected asset mix; the 2050 net-zero GHG emissions target; the expectation that Fortis is positioned to perform well in the future climate scenarios assessed; the expected uses, applications and integrations of the findings of this climate report into the strategic planning, capital and maintenance planning, and risk management processes, including vulnerability assessments, of Fortis and its utilities, as applicable; annual dividend growth guidance of 4-6% through 2028; forecast capital expenditures for 2024-2028, including cleaner energy capital and sustaining capital; the potential for future regulatory cost recovery mechanisms to reduce financial risk to Fortis; potential physical risks and opportunities for each COE under each climate scenario assessed, including predicted exposure, vulnerabilities and potential business impacts, including service reliability; the expected implementation and effectiveness of utility asset management plans, predictive modeling, and wildfire risk mitigation and response plans; potential transition risks and opportunities under each climate scenario assessed, including potential business impacts; the expectation to have coal-free generation mix by 2032; TEP's 2023 IRP, including expected increases of renewable energy and hydrogen-ready natural gas generation capacity and expected decreases in cumulative emissions; FortisBC's 2030 RNG supply target; TEP's 2035 carbon emissions reduction target; TEP's 2030 and 2033 renewable energy and battery storage targets; Central Hudson's 2025 and 2030 fleet electrification targets; Maritime Electric's 2030 GHG emissions reduction target; Newfoundland Power's 2035 controlled GHG emission reduction target; the nature and expected benefits of the Wataynikaneyap Power Project; plans for further analysis, stakeholder engagement, refinement and reporting of scope 3 emissions categories; and the expectation that Fortis will continue to improve its data collection approach and methodologies to provide more accurate and relevant reporting to investors and stakeholders.

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: one climate hazard occurring at a time; looking out to 2030 and 2050, the advancement of design standards for electricity and natural gas infrastructure to ensure assets are resilient; assumed exposure and vulnerability associated with climate hazards for each COE in the present day and 2050 under each climate scenario and the consistent vulnerability of assets regardless of exposure; advancements in technology required to meet 2050 net-zero target; 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 plan; no material capital project or financing cost overruns; sufficient human resources to deliver service and execute the capital 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 Fortis. 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 Fortis 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.

Climate scenario analysis completed by a Fortis company for its specific service territory may use different methodologies and scenarios, resulting in different results from those included in this report. Caution should be used in attempting to compare this report to climate assessments completed by individual Fortis companies.

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