Disclosure Alignment with Recommendations of Task Force on Climate-Related Financial Disclosures

APPENDIX C

Climate-related disclosures have been integrated throughout this report and other documents. A summary of our alignment with TCFD recommendations follows:

Disclosure Alignment Recommendations of TCFD

GOVERNANCE – The Fortis Inc. Board of Directors ("Board") and management acknowledge the critical importance of good governance practices in the proper conduct of our affairs, including sustainability and climate-related risks. We routinely review our governance framework against evolving best practices to ensure we maintain our high governance standards.

Board Oversight

- The Board is responsible for the stewardship of Fortis. Climate risk is a subset of the responsibilities for which the Board of Directors has stewardship responsibility. The Board engages with shareholders on climate risk and opportunities as part of its sustainability discussions in accordance with its Shareholder Engagement Policy.
- The Board's Governance and Nominating Committee provides oversight of environmental and social matters, including climate-related risks and opportunities. It receives a report on sustainability, including climate-related matters, at each regularly scheduled meeting.
- The Audit Committee of the Board is responsible for the oversight of the Fortis Enterprise Risk Management ("ERM") program, which involves the consideration of climate-related risks and opportunities.
- Each Fortis utility is governed by its own board of directors, most of which are comprised of a majority of directors who are independent of Fortis. Climate risks and opportunities are assessed for each subsidiary by its Board and material risks identified are communicated to Fortis management to form part of the Fortis risk assessment.

Management's Role

- Fortis President and CEO is responsible for the long-term strategy and success of Fortis. A focus on cleaner energy is a key component of the Fortis strategy.
- Fortis Executive Vice President, Sustainability and Chief Human Resource Officer reports directly to the President and CEO and is responsible for enterprise-wide sustainability and stewardship at the executive level.
- The Chief Operating Officer is responsible for ensuring Fortis utilities are focused on sustainability. This includes managing climate-related risks as well as remaining at the forefront of industry trends and customer expectations.
- The Fortis Sustainability Working Group comprises key leaders from across the Fortis group of companies. It provides guidance on the approach to sustainability and reporting practices, including climate-related issues.
- Management at each of the utilities is responsible for implementing the Fortis sustainability strategy and operationalizing aspects of sustainability, including climate-related matters.
- Climate-related risks are monitored regularly and form part of the annual ERM assessment at Fortis and each of its utilities.
- Sustainability performance impacts how Fortis executives are compensated. Performance in the core areas of system reliability and safety is linked to incentive compensation for all Fortis executives. System reliability is becoming increasingly impacted by climate-related events.

Disclosure Alignment with TCFD Recommendations

STRATEGY – The risks and opportunities of climate change have influenced Fortis business objectives as well as short- and long-term strategies. Climate-related considerations have led Fortis to focus on accelerating carbon reduction by delivering cleaner energy to our customers.

- A changing climate has potential regulatory, operational and reputational impacts to the business. Management of climate-related risks is integrated into the overall approach to risk (additional details are provided in the "Risk Management" section below). Climate-related risks vary from near to longer term and are considered in planning capital investments.
- The Fortis strategy includes a stated goal of delivering cleaner energy to customers to create a more sustainable future. Our five-year capital plan supports cleaner energy through investments in renewables, natural gas for transportation, grid resiliency and innovative technology.
- Fortis is focused on reducing GHG emissions by transitioning from fossil-fuel based generation to renewables, increasing the delivery of renewable natural gas, decreasing emissions in the transportation sector and helping customers to improve energy efficiency. Two of the largest Fortis utilities have set GHG reduction targets (see pages 30-35 of this report for details).
- The physical risks and opportunities associated with climate change include severe weather events, changing air temperatures and seasonal variations. Investing in the resiliency of infrastructure is increasingly important as more frequent extreme weather conditions are experienced due to climate change. Without such resiliency investments, these events may lead to increased stress placed on the energy system and potential service interruptions for our customers. Approximately half of the 2019 and 2020 capital spending is focused on resiliency and modernization of our transmission, distribution and generation assets.

Climate-Related Risks

- Fortis utilities are subject to rules and regulations. Failure to comply with regulatory requirements aimed at limiting GHG emissions could subject Fortis utilities to substantial penalties and fines. Exposure to this risk is limited by our strategy to transition to a cleaner energy future.
- Climate change will lead to increased physical risks associated with more frequent and intense weather, changing air temperatures and seasonal variations. This could lead to service disruption, increased repair, replacement and operational costs, increased costs associated with strengthened design standards and systems, and increased environmental liability associated with equipment damage/malfunction. Fortis manages these risks by strengthening infrastructure to ensure continued and enhanced performance, reliability and safety of our assets.
- Fortis meets stakeholder expectations to limit the impacts of climate change by operating safely and efficiently, setting GHG-reduction goals and developing new technologies to support a lower-carbon future, including the use of renewable natural gas, hydrogen and energy storage.
- The applicability of these risks varies depending on the specifics of each utility's operations and geographical location.

Climate-Related Opportunities

Climate change is predicted to lead to opportunities for more resilient and cleaner energy delivery systems and to drive innovative approaches and solutions. This may be achieved through strengthened design standards and systems as well as system back up in the event of service interruption. Opportunities also exist in terms of customer engagement as we focus on delivering cleaner energy solutions. Our five-year capital plan is focused on investments that:

- ensure continued and enhanced performance, reliability and safety of our generation, transmission and distribution assets
- reduce air emissions, water usage and increase customer efficiency and energy storage
- focus on investments in technology that will transform the energy industry and accelerate the transition to cleaner energy

Disclosure Alignment with TCFD Recommendations

RISK MANAGEMENT – Fortis has an ERM process established to help identify, assess and manage risks, including climate-related risks.

Identifying & Managing Climate-Related Risks

- The Fortis Board is responsible for oversight of the material risks of the business. It also ensures that management has an effective risk management system and risk mitigation strategies in place relative to its risk profile.
- The Audit Committee of the Board oversees the Fortis ERM program and ensures strategic objectives of the program are achieved. Senior management at Fortis and the utilities seek to identify and manage all material risks facing the business by applying a common risk management framework.
- Enterprise-wide sustainability issues are included in the Fortis ERM process and are integrated into the annual business strategy process for consideration by the Fortis executive and Board.
- The Fortis Sustainability Working Group supports the risk management practices of Fortis by providing guidance on the approach to sustainability and related material risks, including climate-related risks.

Each Fortis subsidiary is governed by its own Board of Directors:

- This structure provides a primary level of risk management oversight and governance with additional guidance provided by Fortis policies and best practices.
- Each Fortis subsidiary Board has a structure to identify, assess and manage risks within its business. An ERM process involves identifying risks and opportunities, including climate-related matters. Subsidiary boards are primarily responsible for oversight of their respective ERM process. Material risks identified are communicated to Fortis management to form part of the Fortis ERM program.

Climate-related risks are mitigated by investing in our transmission, distribution and generation assets to ensure the continued and enhanced performance, reliability and safety. Fortis energy delivery systems are designed to perform under extreme weather and are regularly maintained, improved and replaced.

- Climate-related technology risks are managed through pilot-testing, adopting and offering new technology such as: renewable energy sources; energy-efficient appliances; battery storage; and automated control systems.
- Climate-related policy and regulatory risks are managed through maintaining constructive government and regulatory relationships.

Disclosure Alignment with TCFD Recommendations

METRICS & TARGETS – Fortis reports year-over-year performance in many areas related to climate change, such as GHG emissions, environmental compliance and water use. These metrics are used to inform climate-related risks and opportunities.

Climate-Related Metrics & Targets

- Climate-related metrics outlined in Appendix A are used to support the assessment of climate-related risks and related opportunities. Fortis has added sustainability metrics each year to improve climate-related disclosure. New metrics added to this report are outlined on page 9.
- The Fortis strategy includes the goal of delivering cleaner energy to customers to create a more sustainable future. As this strategy is executed, we are focused on reducing GHG emissions by transitioning from fossil-fuel based generation to renewables, increasing the delivery of RNG, decreasing emissions in the transportation sector and helping customers to improve energy efficiency.
- New in this report is a breakdown of 2019 actual and 2020 forecast capital spending. The majority of the 2019 $3.8 billion capital plan and the 2020 forecast is focused on cleaner energy, resiliency and modernization. Our five-year capital plan supports cleaner energy through investments in renewables, natural gas for transportation, grid resiliency and innovative technology.
- TEP is the most significant contributor to Scope 1 emissions within the Fortis group of companies. Over the last five years, the utility has achieved consistent year over year decreases in Scope 1 GHG emissions associated with coal-fired electricity generation. The utility recently announced a new target to reduce carbon emissions by 80% by 2035. Upon the retirement of its remaining coal-fired electricity generation in 2032, TEP, as well as Fortis, will have a coal-free generation mix. See pages 30-33 of this report for additional details.
- FortisBC has also set a target to reduce GHG emissions associated with customer energy use by 30% by 2030. This is one of the most ambitious targets in the Canadian utility sector and also includes a goal for 15% of its gas supply to be renewable by 2030. See pages 34-35 of this report for details.

Additional information on the disclosures noted above can be found in our:

Annual Report
Management Information Circular
Annual Information Form
Committee Mandates
Fortis Policies

These documents are available at fortisinc.com