

TCFD Framework

Overview

In 2017, the [Task Force on Climate-related Financial Disclosures](#) ("TCFD") was created by the Financial Stability Board in recognition of climate change impacts on the global financial sector. The TCFD recommendations aim to improve and increase the reporting of climate-related risks and opportunities by helping companies more effectively evaluate these risks and opportunities and give investors insights into how companies are addressing them.

TCFD's 11 disclosure recommendations are structured around four key areas – governance, strategy, risk management, and metrics and targets.

The Company continues to assess ways to enhance its disclosures of its climate-related risks and opportunities.

In 2022, we worked with a third-party consultant to identify gaps and evaluate how we can better integrate processes to identify, measure, manage and report on climate-related risks and opportunities throughout the business. In 2023, we conducted our first formal materiality assessment at Southwest Gas, which will help us further enhance our sustainability programs and expand our disclosures in future reports. This includes assessing the new International Financial Reporting Standards ("IFRS") S1 and S2 sustainability disclosures, which go into effect in 2024.

This section reflects where we stand today as well as our next steps.



Governance

The organization's governance around climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.

Risk Management

How the organization identifies, assesses and manages climate-related risks.

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Governance

Southwest Gas Holdings' Board of Directors (the "Board") is responsible for reviewing and overseeing the Company's internal risk management processes and policies to ensure the Company is effectively managing risks throughout our two business segments. The Board also oversees the integration of material ESG matters within the broader business strategy.

Board Oversight

The Board delegates certain oversight responsibilities to its standing committees, and these committees provide reports to the full Board on key matters.

The Board's Nominating and Corporate Governance Committee oversees the Company's policies and performance on ESG matters, including GHG emissions and broader efforts to support the energy transition. The Audit Committee regularly reviews material risks to the Company, with the full Board responsible for review of enterprise risk exposure and management. These include climate events that may threaten infrastructure or our ability to deliver critical energy services to our customers. The Compensation Committee reviews and approves executive compensation, including performance targets that align with our ESG goals and public commitments.

Details about our Board's role in decision-making and management of risks and controls can be found on page 17.

Management Responsibilities

The Company's management team is responsible for managing day-to-day climate-related risks and opportunities. An ESG Working Group brings together representatives from Centuri and Southwest Gas to identify ESG-related goals and activities and presents them to our ESG Committee (composed of Centuri and Southwest Gas officers) for evaluation and inclusion into companywide strategies. The Company continually assesses its role and opportunities in the energy transition as well as other strategic, value-creating directives.

More details about management's role in ESG governance are included in the ESG Governance section, beginning on page 20.

Strategy

We recognize the importance of integrating climate change considerations across the business. Our current climate action efforts include reducing our GHG emissions, advancing clean energy technologies, making low- to zero-carbon energy options available to all, investing in pipeline integrity and reliability, and helping build more resilient communities.

In 2022, we invested \$292 million in programs to reduce GHG emissions from our operations. We also helped customers meet their climate goals through renewable natural gas, hydrogen or other sustainable sources of energy. We discuss these efforts in the Supporting Energy Innovation section, beginning on page 34.

Risks and Opportunities

Our efforts to align with the TCFD recommendations include the evaluation of two primary categories to assess climate-related risks and opportunities.

- **Transition risks:** include types of risks involved in the transition to a lower-carbon economy (e.g., policy, legal, technology and market changes).

- **Physical risks:** include risks that are event-driven (acute), such as increased severity of extreme weather events, or longer-term shifts (chronic) in climate patterns.

In 2023, we conducted our first formal materiality assessment at Southwest Gas to better understand the ESG matters that most impact its business and stakeholders. (We discuss this assessment in more detail on page 14.) The review included discussion of the physical, transition and reputational risks that may impact our operations. These insights will be applied to a climate-related risk management analysis planned for 2024. Findings from this assessment will further inform our approach going forward and will help us prepare to address climate-related risks and future disclosure requirements. Updates to the climate risk assessments will be carried out to meet jurisdictional disclosure requirements. For more information on climate-related risks, please see Item 1A. Risk Factors (pages 10–16) in our [10-K](#) for the Financial Year 2022.

Impact on Strategy Planning

We will carefully consider the short-, medium- and long-term time horizons for climate-related matters and identify the associated risks and opportunities for achieving strategic objectives.

This work will complement the action we are currently taking on reducing GHG emissions.

Resilience under Climate Scenarios

Incorporating climate change considerations into our business planning processes will help our business and the communities we serve build climate resilience. We plan to work with external consultants to initiate an analysis that describes how our resilient strategies perform under different climate-related scenarios.

Our current efforts to build a more resilient energy future are discussed on page 40.

Risk Management

We are committed to better understanding and mitigating the short-, medium- and long-term risks that climate change poses to both our business and the communities where we operate.

Identification

The Enterprise Risk Management ("ERM") process identifies, evaluates and monitors risks across the organization and provides management with information that supports risk-informed decision-making.

We continue to monitor regulatory developments, including potential emissions accounting, and to identify opportunities such as emissions reduction incentive programs.

We will continue to evaluate how best to align climate-related risk identification with our broader ERM process.

Management

Once risks are identified, our ERM process assigns the responsibility for managing each risk to an executive-level risk owner. After we determine the most appropriate way to categorize our climate-related risks, we will manage the risks and opportunities in a way that maximizes value for our stakeholders.

We will continue our efforts to enhance our disclosures around risk management and assess appropriate reporting, including any relevant measures and targets that support the overall risk management framework and other key business planning processes. For more information on how we mitigate climate-related risk, see Rate Design Risk (page 20) in our [10-K](#) for the Financial Year 2022.

Metrics and Targets

Greenhouse Gas Measurements

Southwest Gas discloses Scope 1 and 2 GHG emissions and fugitive methane emissions related to its fleet and facilities to measure and monitor our emissions performance.

To ensure data accuracy in its GHG emissions reporting and disclosures, Southwest Gas engages a third party to verify that its processes for determining its Scope 1 and Scope 2 emissions inventory follow industry-accepted protocols (e.g., The Climate Registry's protocols and ISO 14064-3:2019 guidance). The third party also ensures that the data, collection process and reporting meet reasonable assurance.

Southwest Gas also participates in voluntary disclosures with The Climate Registry. More information is included on page 33.

Climate-Related Targets

Both Southwest Gas and Centuri have announced commitments to reduce portions of Scope 1 and 2 GHG emissions, primarily focusing on emissions from our fleet and facilities. Southwest Gas' goal is a 20% reduction by 2025 (using a 2015 base year), and Centuri's goal is a 25% reduction by 2030 (using a 2019 base year).

We discuss these commitments in more detail in the Supporting Energy Innovation section, beginning on page 34.