

# 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 recommendations aim to improve and increase the reporting of climate-related risks and opportunities by helping companies more effectively evaluate these risks and give investors insights into how companies are addressing such risks.

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

The Company has begun to assess ways to enhance its voluntary disclosures of its climate-related risks and align reporting to the TCFD recommendations.

In 2022, we took the first step in this process, working 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.

This section reflects where we stand today and our next steps.



## 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 three 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 15.

### 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, MountainWest and Southwest Gas to identify ESG-related goals and activities and presents them to our ESG Committee (composed of Centuri, MountainWest 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 on pages 18–19.

The Company will continue to assess alignment with TCFD recommendations in this area.

## 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 2021, we invested nearly \$10 million in programs to reduce GHG emissions from our operations and help customers meet their climate goals through renewable natural gas, hydrogen and other sustainable sources of energy. We discuss these efforts in the Supporting the Energy Transition section on pages 28–37.

### Risks and Opportunities

The next step in our efforts to align with TCFD recommendations includes 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.

## 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 36.

## **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 a 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 align with the TCFD recommendations for 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.

## **Greenhouse Gas Measurements**

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

In 2020, we worked with a third party to evaluate and verify our GHG inventory protocols. Through this process, Southwest Gas’ emissions reporting was verified to be correct with reasonable assurance and in conformance with standard and widely accepted reporting regulations. Our 2021 data is undergoing the same process, with an expected report to be returned by the end of the year. Southwest Gas also participates in voluntary disclosures with The Climate Registry. More information is included on page 37.

### **Climate-Related Targets**

Both Southwest Gas and Centuri have announced commitments to reduce Scope 1 and 2 GHG emissions from 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). In 2022, we expanded our commitment to reducing companywide GHG emissions by considering additional measures to support our goals, such as purchasing carbon offsets for emissions that are hard to abate.

We discuss these commitments in more detail in the Supporting the Energy Transition section on page 28.