

2023

Modern Slavery Report

FORTIS INC.



Fortis Inc. (Fortis, we, our) is pleased to provide its annual report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Act) for the year 2023.

This is a “joint report” under section 11(2)(b) of the Act.¹ It is provided on behalf of Fortis and its Canadian operating subsidiary utilities identified below. Fortis and these subsidiaries are “entities” under section 2 of the Act and are subject to the reporting obligations under Part 2 the Act by virtue of importing into Canada goods that are produced outside Canada, or controlling an entity that imports into Canada goods that are produced outside Canada.

In the normal course of business, neither Fortis nor its Canadian utilities produce, sell, or distribute goods (as the term “goods” is understood in the ordinary sense of the word) in Canada or elsewhere, but may, from time to time, import into Canada goods produced outside Canada.

While our majority-owned subsidiary Caribbean Utilities Company, Ltd. is listed on the Toronto

Stock Exchange, it does not produce, sell, or distribute goods in Canada or elsewhere, nor import into Canada goods that are produced outside Canada, and therefore is not required to report under Part 2 of the Act.

Though many of our utilities operate outside Canada and are not subject to the Act, this report voluntarily provides a consolidated corporate-wide view of our entire operations.

This report describes steps we have taken during 2023 to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods imported into Canada and is organized to address the information requirements under section 11 of the Act. The term “modern slavery”, when used in this report, includes forced labour and child labour.



(a) Structure, activities, and supply chains

Corporate Structure

Fortis is a publicly traded holding company, listed on the Toronto and New York Stock Exchanges (TSX/NYSE: FTS). We principally own regulated electric and natural gas public utilities which operate in a substantially autonomous manner. Our utilities operate in five Canadian provinces, ten states in the United States, and three Caribbean countries.

Our utilities are wholly owned by Fortis, except for those held through ITC Holdings Corp. (which are 80.1% owned by Fortis) and Caribbean Utilities Company, Ltd. (which is approximately 58% owned by Fortis).

Operating Model

Fortis does not operate as a centrally-run, top-down enterprise. Rather, we have a unique operating model with a small corporate office in St. John's, Newfoundland and Labrador with approximately 55 employees, and investments in separate utility business entities. Each utility has its own management team and board of directors, with most having a majority of independent board members. The boards of directors provide oversight within the broad parameters of Fortis policies and best practices. Subsidiary autonomy supports constructive relationships with regulators, policy makers, customers, and communities. Fortis believes this model enhances accountability, opportunity, and business performance.

Fortis is responsible for establishing an umbrella policy framework with common standards that apply across the organization. Each utility creates its own policy framework consistent with the Fortis standards that may be tailored, as necessary, to the unique requirements of a utility based on its operating environment.



Our operating utilities and their jurisdictions of operation are:

Canada

Newfoundland Power Inc.
(Newfoundland and Labrador)
Maritime Electric Company, Limited
(Prince Edward Island)
FortisOntario Inc.² (Ontario)
FortisAlberta Inc. (Alberta)
FortisBC Energy Inc. (British Columbia)
FortisBC Inc. (British Columbia)

These Canadian utilities (Canadian Utilities) are subject to the Act.³

United States

Central Hudson Gas & Electric Corporation (New York)
International Transmission Company (Michigan)
ITC Midwest LLC (Iowa, Missouri, Illinois, Minnesota, Wisconsin)
ITC Great Plains, LLC (Kansas, Oklahoma)
Michigan Electric Transmission Company, LLC (Michigan)
Tucson Electric Power Company (Arizona)
UNS Electric, Inc. (Arizona)
UNS Gas, Inc. (Arizona)

Caribbean

Fortis Belize Limited (Belize)
FortisTCI Limited (Turks and Caicos Islands)
Caribbean Utilities Company, Ltd. (Cayman Islands)

Our *Compliance and Ethics Program Manual* (Compliance Manual) describes the Fortis compliance model and designates “common core policies” which guide ethical business conduct across the Fortis group of companies. Our utilities address the subject matter of each common core policy in their own compliance programs.

While our utilities operate in a substantially autonomous manner, they collaborate in a variety of areas. Several working groups, consisting of representatives from across our utilities, meet to share and exchange knowledge and best practices. One such working group is the Fortis Operating Group (FOG).

FOG has executive representation from Fortis and each Fortis utility, and maintains several sub-groups and committees dedicated to specific aspects of utility operations. FOG’s supply chain sub-group (Supply Chain Group) focuses on procurement, including such things as inventory management, joint purchasing, equipment and build standards, and supply chain logistics.

Activities

Fortis is principally an investor in North American regulated electric and natural gas utilities.

The electric utility sector comprises three components: generation, transmission, and distribution. Generation refers to the production of electricity, transmission refers to the network of high-voltage lines that bring power from its source of generation to the market to be served, and distribution refers to the localized, low-voltage network that delivers power to the end customer. Utilities that serve all three functions are referred to as vertically integrated utilities. Other utilities may only provide generation, transmission and/or

distribution service. Fortis owns regulated vertically integrated electric utilities, as well as regulated electric transmission and distribution utilities. Fortis also owns a non-regulated utility (Fortis Belize Limited) which owns and operates three small hydro generation facilities in Belize.

The natural gas utility sector is like the electricity sector in that there are transmission and distribution gas utilities. Fortis owns three regulated natural gas utilities, two of which provide distribution and transmission services, with the remaining utility being natural gas distribution only.

Our utilities are subject to regulation by provincial and federal regulators in Canada, state and federal regulators in the United States, and national regulators and governments in the Caribbean.

The Fortis group of companies collectively serve approximately 3.5 million customers and have approximately 9,600 employees. Information on our workforce may be found in our 2023 Annual Information Form⁴ and 2023 Sustainability Update.⁵

Supply Chains

The term “supply chain” is not defined in the Act. The utility industry is highly capital intensive due to its requirement for continuous investment in critical infrastructure. Therefore, for our utilities, “supply chain” primarily relates to the timely and cost-effective sourcing of goods that are necessary to support the operation, expansion, and maintenance of their electricity and natural gas infrastructure.

Public utilities have an obligation to serve and are charged with ensuring reliable utility service. Each Fortis operating utility is responsible for managing its own supply chain. When severe weather or other forces damage utility infrastructure and cause service outages,

there is a public expectation that service will be restored as soon as possible. This service obligation means that our utilities must maintain stores of inventory for critical system components (e.g., poles, cross-arms, switches, transformers, conductors) to enable timely service restoration, as well as to support routine system maintenance.

Public utilities are also subject to economic and other forms of regulation. Generally, regulated utilities are subject to a prudence standard under which the utility's regulator must be satisfied that costs are prudent before they can be recovered in customer rates. Under this model, cost is a key consideration in choosing between similarly qualified suppliers.

Many goods required by our utilities are specialty products unique to utility operations. Certain components of electric and natural gas systems can only be sourced from a small number of suppliers around the world, or even a single supplier. In these cases, utilities have limited or no opportunity to choose between "qualified" suppliers.

Historically, the tracking of supplier information by our utilities has focused more on goods required for utility operations rather than general consumables that are ubiquitously used in our society. Generally, less information is collected on suppliers that are less critical to the utility's service delivery and overall procurement program.

Country of Origin

To date, Fortis utilities have generally not tracked goods in their supply chains by country of origin. As a result, there is limited data currently available on the country of origin of goods within the Fortis supply chain.

As an exception, our U.S. utilities track the country of origin for goods used in certain

projects that have specific sourcing requirements (e.g., under the *Buy American Act*). Our U.S. utilities may also validate vendors against the list published by the U.S. Office of Foreign Assets Controls (OFAC) to identify individuals or companies that are designated as Specially Designated Nationals (SDNs), meaning they are on a list as having sanctions or embargoes against them, thereby prohibiting U.S. companies from doing business with them.

We expect to implement measures to facilitate the gathering of more country-of-origin data.

Importation of goods into Canada

While our Canadian Utilities may import goods into Canada from time to time (i.e., as "importer of record" for customs purposes), the level of this activity is quite low. Most goods procured by our Canadian Utilities are purchased through Canadian distributors or manufacturers. Third parties are generally the importer of record for goods produced outside of Canada which are sourced by our Canadian Utilities.



(b) Policies and due diligence processes in relation to forced labour and child labour

The Act is the first legislation to impose modern slavery-related compliance obligations on Fortis (we do not report under modern slavery legislation in any other jurisdiction). Therefore, steps were taken in 2023 to update our policy and compliance framework to address this subject area more fully. Specifically, a new *Human Rights Statement* and *Vendor Code of Conduct* were developed in 2023 and took effect on January 1, 2024 (supplementing our *Code of Conduct* which addresses human rights and modern slavery at a general level). Both are core policies under our Compliance Manual, and our utilities are expected to address the subject matter of both of these new policies within their own policy frameworks in 2024.

Our Human Rights Statement confirms our commitment to human rights and explains the measures taken to support that commitment. The Human Rights Statement addresses the ways in which Fortis supports human rights, including through comprehensive safety programs, the maintenance of a respectful and diverse workplace, and support for social justice causes. The Human Rights Statement also confirms our commitment to occupational health and safety, human rights, labour rights, and the principles contained in international labour conventions. It also seeks to ensure our supply chains are free of modern slavery in all its forms.

Our Human Rights Statement endorses a risk-based approach to assessing the likelihood of human rights abuses in our supply chains, considering the scope, location, and nature of a supplier's activities and associated risks, as well as the human rights conditions in the countries where goods are produced and sourced.

Our Human Rights Statement establishes expectations regarding the role of our suppliers in seeking to reduce the likelihood of human rights abuses in our supply chains and that each of our utilities will implement a vendor code of conduct substantially similar to the new Fortis Vendor Code of Conduct.

The Fortis Vendor Code of Conduct sets out certain requirements and expectations of our suppliers. This includes the requirement to comply with laws that apply to their operations, including those relating to health and safety, labour rights, human rights, and modern slavery. The Fortis Vendor Code of Conduct includes the expectation that suppliers will seek reasonable assurance that there is no modern slavery in their own supply chains based on context-appropriate risk assessments. The Fortis Vendor Code of Conduct also sets out our expectations regarding such things as general ethical business conduct, sustainability, employee training, reporting of non-compliance, and supply chain governance.

The Fortis Vendor Code of Conduct also references our *Speak Up Policy* and encourages suppliers to report any observed instances of violations of the Vendor Code of Conduct or any other illegal or unethical business conduct observed in our supply chains.

Due diligence processes

Historically, our supply chain due diligence activity has not specifically addressed modern slavery risk. Rather, suppliers would be vetted for such things as product quality, reliability, reputation, cost effectiveness, timeliness, and efficiency. To facilitate compliance with the Human Rights Statement and Vendor Code of Conduct, a vendor management solution is being sought to support supply chain modern

slavery due diligence across the Fortis group of companies.

This modern slavery due diligence tool is expected to augment existing supply chain processes at each utility. This work may be aided by reference to resources publicly available through reliable and reputable third-party sources such as Walk Free's Global Slavery Index, the Responsible Sourcing Tool, and the U.S. State Department's Trafficking in Persons Reports.

(c) Parts of the business and supply chains that carry a risk of forced labour or child labour being used and the steps taken to assess and manage that risk

Fortis is preparing to conduct a full assessment of modern slavery risk in our supply chains. For our utility operations-specific supply chains, most components of utility infrastructure systems are sourced in North America, with the balance coming mainly from Europe, Australia, New Zealand, and Asia.

Fortis Belize Limited owns and operates three hydro-electric generation facilities that were built between 1995 and 2010. Two of these facilities were built by a Chinese construction contractor employing Chinese technology. These facilities have historically relied on support procured from China and Russia, though this support work is being gradually transitioned to alternate suppliers primarily in the U.S. and Germany. For parts required from China, documentation is requested from potential suppliers regarding their child labour and modern slavery policies and practices, which informs the vendor selection/prequalification process.

China is also a major world supplier of electrical transformers through various international

distributors, including in the U.S. The U.S. has taken steps to increase domestic manufacturing of critical power grid components, including transformers, to support its clean energy transition and reduce reliance on foreign sourced goods.

China is also a major world supplier of solar panels and wind turbines. Our U.S. and Caribbean vertically integrated utilities have been more active in adopting these technologies than our Canadian Utilities, and this is expected to remain the case, particularly in Arizona. The U.S. federal government has incentivized the domestic manufacture of solar panels, and this is expected to reduce reliance on Chinese imports over time. The manufacture of wind turbines is less concentrated in China than solar panels, with several European suppliers active in the North American market.

Walk Free provides general information on its website ranking those imports into Canada that are perceived to carry the highest modern slavery risk. Among the goods listed are electronics, garments, and textiles. Our utilities

consume a range of these products. We use electronics for various purposes, including security and control systems, diagnostic equipment, personal computers and tablets, communication devices, and printers. Specialized garments and personal protective equipment (PPE) are also required to ensure the safety of utility workers. Virtually all these products are sourced through domestic distributors. To date, we have not completed a comprehensive modern slavery risk assessment on these products independent of any risk assessment done by the domestic distributors.

The main actions being taken to assess and manage modern slavery risk in our supply chains are in their early stages. The implementation of vendor codes of conduct across our organization is intended to, among other things, bring to our utilities a standardized approach towards modern slavery risk in our supply chain. The adoption of a vendor management solution with modern slavery due diligence capabilities is expected to assist our utilities in identifying potential areas of concern in our supply chain and mitigating such risks. We expect this to be an incremental, multi-year process, as we gain more knowledge, experience, and capability in this area.

(d) Measures taken to remediate any forced labour or child labour

As noted above, we are in the planning stages of implementing measures that will provide the ability to assess our supply chain and identify potential modern slavery risks. To date, we have not yet identified any instances of forced labour or child labour in our supply chains, and therefore no remediation measures have been taken.



(e) Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains

As noted above, we are in the planning stages of implementing measures that will provide the ability to assess our supply chain and identify potential modern slavery risks. To date, we

have not yet identified any instances of forced labour or child labour in our supply chains, and therefore no remediation measures have been taken.

(f) Training provided to employees on forced labour and child labour

Employees across the Fortis group of companies receive training on subject matters addressed in many of our common core policies, including our Code of Conduct. All new employees receive training on key policies as part of their onboarding and orientation process. Periodic recurring training is also provided on certain policies, to either all employees, or targeted to a subset of employees, based on the subject matter of the policy and the nature of the employee's role.

Each utility has adopted a code of conduct that is substantially similar to the Fortis Code of Conduct. Our Code of Conduct is the foundational policy document which provides our employees with guidance on ethical business conduct. The Fortis Code of Conduct addresses a wide range of topics, including our respect for human rights. Code of Conduct

training is considered most directly relevant to all employees and therefore all employees receive this training.

While modern slavery is an important consideration for employees directly involved in supply chain management, many employees do not encounter issues implicating modern slavery in their day-to-day work. Therefore, it is expected that modern slavery training activities will be tailored to the intended target audience. At Fortis, we expect to incorporate general content on modern slavery into our Code of Conduct training. Our utilities are also expected to provide appropriate modern slavery training based on employee roles and responsibilities. Our Vendor Code of Conduct also encourages context-appropriate supplier training concerning human rights and modern slavery.

(g) Assessing effectiveness in ensuring that forced labour and child labour are not being used in the business and supply chains

As noted above, we are in the planning stages of implementing measures that will provide the ability to assess our supply chain and identify potential modern slavery risks. To date, we have not assessed the effectiveness of our

planned approach to reduce the risk that forced labour and child labour is used in our supply chains.

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full name: David G. Hutchens

Title: President, Chief Executive Officer and Director, Fortis Inc.

Date: May 27, 2024

Signature: 

I have the authority to bind Fortis Inc.

Endnotes

¹ Under section 11(2)(b) of the Act, “an entity may comply with subsection (1) [the requirement to report annually to the Minister]...by being a party to a joint report in respect of more than one entity.” This joint report has been approved by the Fortis Inc. Board of Directors in accordance with section 11(4)(b)(ii) of the Act.

² FortisOntario Inc. comprises Canadian Niagara Power Inc., Algoma Power Inc., Cornwall Street Railway Light and Power Company Limited, Wataynikaneyap Power PM Inc., Fortis (WP) GP Inc., and minority ownership interests in the Wataynikaneyap Power transmission project and several other small utilities.

³ Though Fortis Inc. is the ultimate controlling parent company of the Canadian Utilities, several intermediary Canadian holding companies exist in the chain of ownership between the Canadian Utilities and Fortis Inc. which also constitute “entities” under the Act, and which are either directly or indirectly wholly owned by Fortis Inc. These intermediary Canadian holding companies include FortisCanada Inc., FortisAlberta Holdings Inc., FortisBC Pacific Holdings Inc., and FortisBC Holdings Inc. To simplify the presentation of information, this report addresses the consolidated operations of Fortis Inc., including the intermediary Canadian holding companies.

⁴ https://www.fortisinc.com/docs/default-source/finance-regulatory-reports/aif/2023---aif---final.pdf?sfvrsn=7f527298_2

⁵ https://www.fortisinc.com/docs/default-source/environment-reports/2023-sustainability-update-report.pdf?sfvrsn=c31c7298_4

Forward Looking Information

Fortis includes forward-looking information in this modern slavery 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”). Wherever possible, words such as anticipates, believes, could, expects, intends, may, might, plans, projects, should, 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 expected commitment to undertake, and the related timing and outcomes of, various measures to support data collection, due diligence, risk identification, training and risk mitigation with respect to modern slavery in supply chain processes.

These statements are not guarantees of future performance or actions and involve significant risks, uncertainties and assumptions. 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.