

Green Bond Framework

1.0 Introduction

The Green Bond Framework (the Framework) applies to Green Bonds issued by FortisBC Group of Companies, which includes FortisBC Energy Inc., FortisBC Inc. and affiliates (collectively, FortisBC), in or after **June 2020**, and sets out the guidelines for FortisBC's Green Bond issuances in accordance with the Green Bond Principles dated June 2018 issued by the International Capital Markets Association (ICMA).

A Green Bond is a debenture, bond, or other financing instrument where the proceeds are exclusively allocated to green projects and activities that promote environmental sustainability and have clear environmental benefits, such as renewable energy generation or greenhouse gas (GHG) emission reduction initiatives.

2.0 Use of Proceeds

The proceeds from the issuance of Green Bonds will be used to finance or refinance, in part or in full, new or existing projects that offer tangible environmental benefits (Eligible Projects). Eligible Projects will meet the eligibility criteria set out below and may include projects that have been completed by FortisBC within 36 months preceding the date of the Green Bond issuance. FortisBC will fully allocate the net proceeds of a Green Bond within 24 months of issuance.

3.0 Eligibility Criteria

Without limitation, projects in the below noted categories will generally be considered eligible:

Eligible Category	Description of Projects
Renewable Energy	<ul style="list-style-type: none"> • Production, storage, and distribution of renewable energy such as geothermal, hydrogen, wind, and solar.
Renewable Natural Gas	<ul style="list-style-type: none"> • Purchase, production, processing, storage, and distribution of renewable natural gas (RNG), including bio-methane and other renewable energy sources. • This includes financial incentives provided to customers to convert their engines to RNG and investments in infrastructure to support production, processing, storage, and distribution of RNG.

Energy Efficiency	<ul style="list-style-type: none"> • Demand Side Management (DSM) initiatives, including: <ul style="list-style-type: none"> ▪ projects that reduce energy consumption, emissions or improve overall efficiency; and ▪ supporting initiatives such as research and energy use studies. • Equipment upgrades for monitoring energy performance such as digital controls, sensors, building information systems, or energy management and reduction systems.
Pollution Prevention and Control	<ul style="list-style-type: none"> • Financial incentives provided to customers in the marine and commercial transportation sector to convert their engines to cleaner fuels, such as CNG and LNG.
Clean Transportation	<ul style="list-style-type: none"> • The electrification of on-road transportation, including fleets, which may include maintenance and support vehicles, and infrastructure for clean energy vehicles.

4.0 Process for Project Evaluation and Selection

The selection of Eligible Projects will be the responsibility of the Selection Committee, which will be comprised of individuals from the Finance Department and the Sustainability Department. The Selection Committee will be responsible for evaluating and screening projects. The decision as to the selection of the Eligible Projects must be unanimous and will be documented in a sustainable financing report.

As part of the annual reporting and disclosure process, the Selection Committee will review the existing Eligible Projects to ensure that they continue to comply with the Eligibility Criteria, and, if necessary, changes will be made to rectify the project and its compliance with the Eligibility Criteria.

FortisBC will select Eligible Projects that meet the criteria above. Projects must also comply with applicable laws and regulations and FortisBC's policies and guidelines.

5.0 Management of Proceeds

FortisBC's Finance Department will be responsible for the allocation of the net proceeds from the issuance of the Green Bonds to the relevant and approved Eligible Projects.

Net proceeds will be recorded separately in FortisBC's records in order to clearly track the use of and allocation of funds for Eligible Projects.

In cases where the projects are underway or completed, proceeds from the Green Bond will be directly applied to the Eligible Projects. This includes any Eligible Projects that have been funded by FortisBC within 36 months preceding the date of any Green Bond



issuance. FortisBC will fully allocate the net proceeds of a Green Bond within 24 months of issuance.

In the case where projects are delayed, any portion of the net proceeds that have not been allocated can be temporarily held as cash or cash equivalents or held in temporary investment instruments that do not include GHG intensive projects.

Any interest or investment income earned on the above mentioned separately designated cash or investments can be applied to reduce any reasonable administration costs associated with the management and administration of the Green Bond program.

Payment of principal and interest on any Green Bond issuance will be made from FortisBC's general bank accounts and will not be linked to the performance of any Eligible Project.

6.0 Reporting and Disclosure

As long as there are Green Bonds issued under this Framework, FortisBC will publish through FortisBC's website an annual information report addressing the allocation and impact reporting. Reporting will include:

- A summary of FortisBC's Green Bond developments including current and future Eligible Projects;
- Allocation of the proceeds from the Green Bond into categories and/or Eligible Projects and updates with respect to the distribution of unspent proceeds;
- Project updates and status reports for categories and/or Eligible Projects; and, where possible,
- Key performance indicators and environmental benefits.

7.0 External Review

Pre-issuance, FortisBC will obtain a second opinion from CICERO Shades of Green to ensure alignment of FortisBC's Green Bond program with the ICMA's Green Bond Principles.

Key performance indicators and environmental benefits may include, but are not limited to:

Eligible Category	Key Performance Indicator / Environmental Benefit
Renewable Energy	<ul style="list-style-type: none">• kWh of power generated from renewable energy• GHG emissions reduced/ avoided (tCO₂e)
Renewable Natural Gas	<ul style="list-style-type: none">• kWh of power generated from renewable natural gas• GHG emissions reduced/ avoided (tCO₂e)

Energy Efficiency	<ul style="list-style-type: none"> • Energy saved per year (kWh/year) • GHG emissions reduced/ avoided (tCO₂e) • Building energy efficiency (kWh/m² or GJ/m²)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Amount of emissions or air pollutants reduced/avoided (tCO₂e/tonnes)
Clean Transportation	<ul style="list-style-type: none"> • GHG emissions reduced/ avoided (tCO₂e) • Air quality improvements (Air Contaminants reduced)(tonnes)