

Introduction

Central Hudson Gas & Electric (Central Hudson or the Company), a subsidiary of Fortis Inc., is committed to a sustainable and decarbonized future for our customers and communities. New York State (NYS) has set forth an ambitious climate agenda that calls for a sustainable and just transition to a clean energy economy. The climate goals are among the most ambitious in the nation and require a reduction in economy-wide greenhouse gas (GHG) emissions of 40% by 2030 and no less than 85% by 2050 from 1990 levels. In 2022, Fortis Inc. adopted a corporate-wide 2050 net-zero direct emissions goal, with interim targets to reduce direct greenhouse gas emissions 50% by 2030 and 75% by 2035. Central Hudson is taking a leading role in reducing emissions in its mid-Hudson Valley service territory through investments in programs like beneficial electrification (e.g., investments in electric vehicles and infrastructure and heat pump installations), grid modernization and reinforced infrastructure in support of renewables, energy efficiency and battery energy storage system interconnections. We continue to seek innovative solutions to modernize our operations and are focused on helping New York meet its economy-wide carbon goals while building towards a more equitable and sustainable future.

Governance

Central Hudson’s purpose statement and core values, shown below, reflect our commitment to operating in an ethical, legal and socially responsible manner. Central Hudson’s executive team plans and executes strategies designed to achieve our priorities, which includes ESG and sustainability-related initiatives and factors. Throughout the year, our management team reports regularly to its Board of Directors and its committees on the status of our business plans, important projects and initiatives, and on existing or potential risks the company may be facing. Central Hudson’s Board is made up of qualified members with relevant skills and professional experience. This helps inform on environment, social and governance issues that could impact company operations and strategy such as climate change, human capital management, diversity, equity and inclusion and cyber and physical security.

People. Power. Possibilities.
Central Hudson
 A FORTIS COMPANY

Together We Power Endless Possibilities

<p>We Never Compromise On Safety</p> <p>Nothing matters more to us than protecting the health and safety of our customers, employees and business partners. Our pursuit of safety is relentless.</p>	<p>We Value Our People</p> <p>We promote employee growth. Our success is driven by the collective energy, integrity and contributions of all. We encourage diverse perspectives and create an inclusive workplace where everyone can thrive.</p>	<p>We Put the Customer First</p> <p>We are committed to providing customers the essential services they rely on every day. We strive to make the customer experience proactive, easy and personalized in every channel and interaction.</p>	<p>We Aim For Excellence Every Day</p> <p>We are energy delivery experts. We take pride in working hard and doing it the right way. We drive innovation to provide our customers with reliable service they can depend on.</p>	<p>We Put Energy Into Our Communities</p> <p>We make our communities stronger by nurturing local partnerships and giving back to the places we proudly serve. We actively support a clean and sustainable future through our respect for the environment.</p>
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Strategy

Central Hudson's strategy is to provide exceptional value to our stakeholders by:

- Modernizing and transforming our business through electric and natural gas system investments and process improvements;
- Continuously improving our performance while maintaining cost effective, efficient, and secure operations;
- Advocating on behalf of customers and other stakeholders; and
- Investing in programs and employee development to position the organization for continued success in the future.

Business Environment

Climate change and the vision of a decarbonized future are evolving the economic and societal environments we live and operate in every day. To meet the demands of customers, investors, environmental groups, credit rating agencies, and others, governmental agencies like the Securities Exchange Commission and NYS are implementing climate change policies and frameworks. In NYS, the Climate Leadership and Community Protection Act (CLCPA) has established ambitious goals including 100% zero-emission electricity generation by 2040 and reduction in greenhouse gas emissions to at least 85% below 1990 baseline levels by 2050 to achieve widescale carbon neutrality. Central Hudson is committed to responsibly supporting CLCPA policies and will undoubtedly face challenges such as maintaining energy affordability and reliability while modernizing our infrastructure. Central Hudson has developed four principles as a guide to an orderly transition to maintain energy affordability, support economic growth, and retain a dependable and reliable energy system. These principles are:

1. The electric power grid must meet Customer's energy needs at all times;
2. Customer's livelihoods must be enhanced, not harmed by this transition;
3. We must reduce emissions at the lowest-possible cost;
4. All emission reduction solutions should be considered.

Decarbonization efforts require partnerships and collaborations of all industry sectors to ensure all communities are included in the transition. Central Hudson is making investments in infrastructure, technologies, and programs that cost-effectively reduce carbon emissions by:

- Upgrading electric transmission and distribution lines, including support for statewide transmission upgrades to deliver renewable energy sources to areas of high electric demand including the Hudson Valley and metropolitan area, and investments in the regional electric distribution system to facilitate greater levels of locally sited renewable generation;
- Pursuing the lowest cost approach to emission reduction by examining current incentives to determine which offer the highest value in lowering emissions;
- Integrating natural gas benefits, utilized for fast-start electric generation, to complement intermittent renewable resources and as a lower-carbon alternative to petroleum-derived fuels used in heating and manufacturing to reduce overall carbon emissions;
- Expanding energy efficiency programs, the most cost-effective method to reduce emissions; and

- Advancing environmentally beneficial electrification, for example, promoting electric vehicles and heat pumps to lower emissions from the transportation and building heating sectors.

Risks and Opportunities

The Company's process for assessing the internal and external environments includes collecting feedback from various stakeholders like the Board, executives, and managers across the organization. The internal and external assessments serve as the basis for a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. Enterprise risk assessments supplement the strategic planning process and are a routine activity of the Company's enterprise risk management function.

Central Hudson has policies, procedures, and controls in place to address risks, including climate change. Past weather events as well as forward-looking climate projections have identified vulnerabilities and potential impacts on our present-day infrastructure and operations. These areas of impact have helped provide opportunities for Central Hudson to prepare and meet future power needs. We have strategic collaborations with companies and communities to explore innovative technologies that contribute to our goal of being connected and transparent. We have been expanding our Emergency Response and Outage Management System to address the data requests during a climate event to meet the demands of an increasingly digital world. Additionally, as infrastructure is added, upgraded, or replaced, careful considerations are given to risk, affordability, reliability, and resiliency. The Company maintains a proactive stance through hardening the infrastructure for future weather events while being prepared to implement our recovery strategy when needed. Following significant storm restoration efforts, a comprehensive review is conducted to discuss any potential opportunities with a mindset toward continuous improvement.

Central Hudson has been and continues to be focused on investing to enhance the safety and reliability of our natural gas system. Strategic initiatives have been implemented to ensure the transformation of the natural gas business continues to meet the clean energy goals of the State. There are Company-wide efforts to reduce the total methane leaks through the elimination of leak prone pipe, as well as upgrading equipment, which will be a key step in reducing fugitive emissions. In 2022, Central Hudson conducted its first pilot program that helped purchase certified natural gas to reduce supply chain greenhouse gas emissions. That was followed by regular inclusion of certified natural gas in 2023 supply solicitations as a competitively priced alternative. In addition, the Company is investing in research and development projects to improve the detection of methane to drive safer and more efficient leak management, as well as improve sustainability.

To support the realization of a compliant, sustainable natural gas future, the Company relies on exceeding established key performance indicators to reduce the Company's pipeline and public safety risk. The integration of a proactive compliance and auditing pipeline safety management system has been critical to supporting Central Hudson's goal to establish an end-to-end safety framework. The mitigation of greenhouse gases, including methane, and maintaining a sustainable future will ultimately be a shared responsibility of every employee from entry level up to the Chief Executive Officer as Central Hudson's ESG strategy continues to evolve.

Central Hudson's responsibilities go beyond providing safe, affordable and reliable electricity and gas services to our customers and communities we serve; we provide opportunities for our employees to learn and evolve. Our employees are critical to the company's business and future. The company is not

only focused on hiring, developing and retaining our employees but also supporting their mental, cultural and physical wellbeing. As the workforce demographics continue to evolve, Central Hudson is making the necessary investments into our workforce to ensure we have the applicable policies and practices to provide a safe and healthy work environment; competitive and fair compensation and benefits; equitable access to career growth and development and a supportive, inclusive and engaging culture. Our internal labor forces include both unclassified employees and employees covered by collective bargaining (Union) agreements to address certain aspects of the Company's operations. In addition, we work with many outside firms to obtain additional resources to supplement our internal forces to address fluctuations in certain aspects of the Company's operations, including contact center overflow, storm restoration, capital construction, tree trimming, information technology and other field operations. We are committed to maintaining optimal relationships with both our union and suppliers of contracted services.

Safety is a top priority, and the responsibility of safety is shared at all levels throughout the company. We strive for continuous improvement in everything we do, including safety, and have devoted resources including external consultation services and collaboration with our Union on a grass roots effort to improve our safety performance and culture.

Plans and Progress

Central Hudson is responsibly supporting an equitable modernization and decarbonization of our operations. The company's transition to a clean energy economy will create challenges for the communities we serve. As we continue to address climate change concerns, Central Hudson is committed to working with regulators, policy makers, customers and other stakeholders to ensure an inclusive energy transition. As part of the commitment, the Company is conducting necessary climate change studies and developing essential long-term plans for the electric and natural gas systems. Climate change remains a risk for Central Hudson, but it also provides exciting opportunities to advance our support for an equitable energy transition while leveraging existing core competencies.