



NorthWestern Corporation

doing business as

NorthWestern Energy

Task Force on Climate-related
Financial Disclosures (TCFD)
Disclosure Report

For Calendar Year 2022

Disclosed December 2023

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Governance

Governance A - Board Oversight

Governance / Governance A - Board Oversight

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

Board oversight of climate-related risks and opportunities:

The charters for our Board's Compensation, Governance, and Operations Committees formalize the board's oversight of ESG-related matters. The Governance Committee has primary oversight of ESG reporting and governance, the Operations Committee has specific oversight of environmental and other operational concerns, and the Compensation Committee oversees various human capital and social matters. In addition to the charters, our 2022 and 2023 proxy statements and our Net Zero by 2050 report discuss these oversight responsibilities.

References:

 Nominating and Governance Committee Charter	
 2022 Proxy Statement	Page(s) 68
 Net Zero by 2050 (web portal)	
 2023 Proxy Statement	

Governance B - Role of Management

Governance / Governance B - Role of Management

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

Describe management's role in assessing and managing climate related risks and opportunities:

We established our internal and cross-functional ESG Committee to centralize and coordinate our sustainability efforts and improve public reporting of our efforts. Our committee is active with respect to ESG matters by developing and implementing initiatives and policies; communicating with employees, investors, and other stakeholders; and monitoring ESG developments so that we can continue to deliver a bright future. Our 2022 and 2023 proxy statements and our Net Zero by 2050 report discuss the ESG Committee, and our Sustainability Portal on our website displays the Committee's work.

References:

 2022 Proxy Statement	Page(s) 3-8
 ESG Disclosure Committee	
 Net Zero by 2050 (web portal)	
 Sustainability Portal (ESG Website)	
 2023 Proxy Statement	Page(s) 68

Strategy

Strategy A - Short, Medium, and Long Term Climate Risks

Strategy / Strategy A - Short, Medium, and Long Term Climate Risks

Disclose 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.

Climate-related risks and opportunities the organization has identified over the short, medium, and long term:

NorthWestern, like the rest of the regulated energy industry, has been transitioning its generation portfolio to cleaner resources to reduce emissions. Considerable progress has been made through the addition of owned and contracted carbon-free resources and currently have a generation portfolio that is 55% carbon-free (as measured by MWh delivered), significantly better than the electric industry's 40% equivalent measure. Additional details of risks and opportunities can be in NorthWestern's Net Zero by 2050 report and our annual Form 10-K. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. While we believe we have identified and discussed the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, financial condition, results of operations or cash flows in the future.

References:

 [Net Zero by 2050 \(web portal\)](#)

 [2022 Annual Report](#)

Page(s) Annual Report lead-in pages 7-9 & 13-14; 10K pages 22, 26-36 & F41-F46

 [2023 Proxy Statement](#)

Strategy B - Business, Strategy and Financial Planning

Strategy / Strategy B - Business, Strategy and Financial Planning

Disclose 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.

Impact of risks and opportunities on business, strategy and financial planning:

NorthWestern, like the rest of the regulated energy industry, has been transitioning its generation portfolio to cleaner resources to reduce emissions. Considerable progress has been made through the addition of owned and contracted carbon-free resources and currently have a generation portfolio that is 55% carbon-free (as measured by MWh delivered), significantly better than the electric industry's 40% equivalent measure. Additional details of risks and opportunities can be in NorthWestern's Net Zero by 2050 report and our annual Form 10-K. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. While we believe we have identified and discussed the key risk factors affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, financial condition, results of operations or cash flows in the future.

References:

 [Net Zero by 2050 \(web portal\)](#)

 [2022 Annual Report](#)

Page(s) Pg. 22, 27, 29, 30, 34-35, F42-F43

 [2023 Proxy Statement](#)

Strategy C - Resilience of the Organization's Strategy

Strategy / Strategy C - Resilience of the Organization's Strategy

Disclose 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.

Resilience of the Organization's Strategy:

Our commitment at NorthWestern Energy is to provide our customers and communities reliable, affordable and responsible critical energy infrastructure and essential service. We are stewards of nearly \$8 billion in electric and natural gas infrastructure dedicated to serve our customers in Montana, South Dakota, Nebraska and Yellowstone National Park. In 2023 we expect to invest in excess of \$500 million of capital in this infrastructure. Because of the special places we are privileged to serve, environmental stewardship is core to who we are and what we do.

While staying true to our core responsibilities, we are also committing to achieve carbon neutrality in our electric and natural gas operations by 2050 – net zero carbon and methane emissions. This will allow us to do our part, as a relatively small company serving a large and dynamic region, to help achieve the goal of limiting the global temperature increase to less than 2° Celsius (3.6° Fahrenheit). Our Net Zero commitment is part of our much larger focus on Environmental, Social, and Governance (ESG) work.

References:

 [Net Zero by 2050 \(web portal\)](#)

 [2022 Annual Report](#)

Page(s) Pg. 22, 27, 29, 30, 34-35, F42-F43

 [2023 Proxy Statement](#)

Risk Management

Risk Management A - Identifying and Assessing Climate Related Risks

Risk Management / Risk Management A - Identifying and Assessing Climate Related Risks

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

Identifying and Assessing Climate Related Risks:

We deploy a robust enterprise risk management program (ERM) developed nearly 20 years ago. This program is overseen by an executive ERM committee that has identified wild fire as the largest climate-related risk we currently experience. Over the last decade, we have made significant investment to clear hazard trees in heavily forested areas, especially focusing on those areas infested with mountain pine beetles. Those areas often have standing dead trees that are at a much higher risk of falling into our transmission and distribution power lines and sparking fire. In addition, with warmer temperatures and reduced precipitation, we are experiencing longer fire seasons. Both forested and prairie grass fires pose a risk to us and our customers and communities. We continue to expand our fire mitigation activities to address these risks while also hardening our system against other physical and cyber related threats.

We monitor federal, state, and local environmental initiatives to determine potential impacts on our operating and financial results. As new laws or regulations are implemented, our policy is to assess their applicability and implement the necessary modifications to our facilities or their operation to maintain ongoing compliance. A qualitative overview of our process to identify and assess environmental matters is included in our annual Form 10-K as well as Market Considerations and Policies section included in our Net Zero by 2050 report.

References:

 Enterprise Risk Management Charter	
 Enterprise Risk Management Policy	
 Net Zero by 2050 (web portal)	
 2022 Annual Report	Page(s) Annual Report lead-in pages 7-9 & 13-14; 10K pages 22, 26-36 & F41-F46
 2023 Proxy Statement	Page(s) 68

Risk Management B - Processes for Managing Climate Related Risks

Risk Management / Risk Management B - Processes for Managing Climate Related Risks

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

Processes for Managing Climate-Related Risks:

We deploy a robust enterprise risk management program (ERM) developed nearly 20 years ago. This program is overseen by an executive ERM committee that has identified wild fire as the largest climate-related risk we currently experience. Over the last decade, we have made significant investment to clear hazard trees in heavily forested areas, especially focusing on those areas infested with mountain pine beetles. Those areas often have standing dead trees that are at a much higher risk of falling into our transmission and distribution power lines and sparking fire. In addition, with warmer temperatures and reduced precipitation, we are experiencing longer fire seasons. Both forested and prairie grass fires pose a risk to us and our customers and communities. We continue to expand our fire mitigation activities to address these risks while also hardening our system against other physical and cyber related threats.

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 Net Zero by 2050 (web portal)	
 Enterprise Risk Management Charter	
 Enterprise Risk Management Policy	
 2022 Annual Report	Page(s) Annual Report lead-in pages 7-9 & 13-14; 10K pages 22, 26-36 & F41-F46
 2023 Proxy Statement	Page(s) 68

Risk Management C - Organizational Integration of Risk Management Practices

Risk Management / Risk Management C - Organizational Integration of Risk Management Practices

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

Organizational Integration of Risk Management Practices:

We deploy a robust enterprise risk management program (ERM) developed nearly 20 years ago. This program is overseen by an executive ERM committee that has identified wild fire as the largest climate-related risk we currently experience. Over the last decade, we have made significant investment to clear hazard trees in heavily forested areas, especially focusing on those areas infested with mountain pine beetles. Those areas often have standing dead trees that are at a much higher risk of falling into our transmission and distribution power lines and sparking fire. In addition, with warmer temperatures and reduced precipitation, we are experiencing longer fire seasons. Both forested and prairie grass fires pose a risk to us and our customers and communities. We continue to expand our fire mitigation activities to address these risks while also hardening our system against other physical and cyber related threats.

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 Enterprise Risk Management Charter	
 Enterprise Risk Management Policy	
 2022 Annual Report	Page(s) Annual Report lead-in pages 7-9 & 13-14; 10K pages 22, 26-36 & F41-F46
 2023 Proxy Statement	Page(s) 68

Metrics and Targets

Metrics and Targets A - Metrics used by the Organization

Metrics and Targets / Metrics and Targets A - Metrics used by the Organization

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

Metrics used by the Organization to Assess Climate-Related Risks and Opportunities:

We utilize several different frameworks to disclose our climate related metrics, including the industry specific templates developed in collaboration with the Edison Electric Institute and the American Gas Association along with our Key Sustainability Statistics report. These reports can be found on the Sustainability Portal on our website; a link to each is also provided below.

Processes for managing climate-related risks are discussed in NorthWestern's 2022 Annual Report on pages 22, 26-33 and F41-F43. A link to our 2022 Annual Report is provided below.

NorthWestern's Net Zero by 2050 document provides a discussion related to metrics and targets on pages 14 and 18. A link to our Net Zero by 2050 document is provided below.

References:

 Key Sustainability Statistics Report	
 EEI/ESG Sustainability Document	
 AGA ESG Template	
 Net Zero by 2050 (web portal)	Page(s) 14 & 18
 Net Zero by 2050 (pdf)	
 2022 Annual Report	Page(s) 22, 26-33, F41-F43

Metrics and Targets B - Scope 1 & 2 GHG Emissions

Metrics and Targets / Metrics and Targets B - Scope 1 & 2 GHG Emissions

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

Disclose Scope 1 Greenhouse Gas (GHG) Emissions:

Disclose Scope 2 Greenhouse Gas (GHG) Emissions:

Discuss Scope 1 and Scope 2 greenhouse gas (GHG) related risks:

NorthWestern's Scope 1 and 2 emissions are published in our Key Sustainability Statistics report. See reference below or refer to NorthWestern's website.

While our Net Zero 2050 report announces a target that is specific to our Scope 1 and 2 emissions, we will continue to attempt to identify and assess our Scope 3 emissions. However, we currently believe there are too many complexities and variables outside our control to report or establish any Scope 3 targets at this time.

NorthWestern calculates the CO2 and CO2e emissions associated with the energy supply portfolios in MT and SD and its natural gas T&D business each year. See the EEI/AGA ESG references below.

References:

 [Net Zero by 2050 \(pdf\)](#) Page(s) 14 & 18

 [EEI/ESG Sustainability Document](#)

 [AGA ESG Template](#)

 [Key Sustainability Statistics Report](#) Page(s) 4 & 5

Metrics and Targets B - Scope 3 GHG Emissions

Metrics and Targets / Metrics and Targets B - Scope 3 GHG Emissions

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

Disclose Scope 3 Greenhouse Gas (GHG) Emissions:

Discuss Scope 3 greenhouse gas (GHG) emissions and the related risks:

We are currently reporting Scope 3 emissions associated with third party electricity purchases (market purchases and long-term contracted purchased power agreements) for electricity delivered to and consumed by our customers. See the EEI ESG reference below.

References:

 [EEI/ESG Sustainability Document](#)

Metrics and Targets C - Targets used by the Organization to Manage Climate Related Risks

Metrics and Targets / Metrics and Targets C - Targets used by the Organization to Manage Climate Related Risks

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

Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets:

Our Net Zero by 2050 report describes the targets we are using to manage climate-related risks and opportunities and the incremental steps we will take as we transition to a cleaner energy future.

References:

 [Net Zero by 2050 \(web portal\)](#)

 [Net Zero by 2050 \(pdf\)](#)