



## AUDIT COMMITTEE MANDATE

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### 1.0 PURPOSE AND AUTHORITY

- 1.1 The purpose of the Committee is to assist the Board with its oversight of:
  - (a) the integrity of the Corporation's financial statements, financial disclosures and internal controls over financial reporting;
  - (b) the Corporation's compliance with related legal and regulatory requirements;
  - (c) the qualifications, independence and performance of the Independent Auditor and Internal Auditor;
  - (d) the related policies of the Corporation set out herein; and
  - (e) other matters set out herein or otherwise delegated to the Committee by the Board.
- 1.2 Consistent with this purpose, the Committee should encourage continuous improvement of, and foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee should also provide for open communication among the Independent Auditor, the Internal Auditor, Management and the Board.
- 1.3 To perform its duties and responsibilities, the Committee has the authority to: (i) conduct investigations into any matters within its scope of responsibility; (ii) obtain advice and assistance from outside legal, accounting, or other advisors as the Committee may deem appropriate, in its sole discretion; and (iii) meet with and seek any information it requires from external parties or employees, officers and directors of the Corporation or any affiliate of the Corporation.
- 1.4 The Corporation will provide appropriate funding, as determined by the Committee, for compensation to the Independent Auditor, to any independent counsel or other advisors that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its duties.
- 1.5 The Committee will primarily fulfill its responsibilities by carrying out the activities set out in this mandate.

## 2.0 DEFINITIONS

"**Board**" means the board of directors of the Corporation;

"**Chair**" means the Chair of the Committee;

"**Committee**" means the audit committee appointed by the Board pursuant to this mandate;

"**Core Audit Services**" means services necessary to: (i) audit the Corporation's annual consolidated or non-consolidated financial statements; (ii) review the Corporation's interim condensed consolidated financial statements; and (iii) audit internal controls over financial reporting in accordance with the requirements of the Sarbanes Oxley Act of 2002;

"**Corporation**" means Fortis Inc.;

"**CPAB**" means the Canadian Public Accountability Board or its successor;

"**Director**" means a member of the Board;

"**ERM Program**" means the Corporation's Enterprise Risk Management Program that incorporates an effective risk management framework and applies a logical and systematic methodology to identify, evaluate, treat, monitor and communicate key corporate risks;

"**Financial Expert**" means an "audit committee financial expert" as defined in Item 407(d)(5) of SEC Regulation S-K;

"**Financially Literate**" means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breath and complexity of the issues that can reasonably be expected to be present in the Corporation's financial statements;

"**Governance and Nominating Committee**" means the governance and nominating committee of the Board;

"**Independent**" means, in the context of a Member and in accordance with applicable law and stock exchange requirements, free from any direct or indirect material relationship with the Corporation and its subsidiaries which, in the view of the Board, could reasonably be expected to interfere with the exercise of a Member's independent judgment;

"**Independent Auditor**" means the firm of chartered professional accountants, registered with the CPAB and the PCAOB, and appointed by the Shareholders to act as external auditor;

"**Internal Auditor**" means the person(s) employed or engaged by the Corporation to perform the internal audit function of the Corporation;

"**Management**" means the senior officers of the Corporation;

"**MD&A**" means the Corporation's management discussion and analysis prepared in accordance with the requirements of National Instrument 51-102F1 and the SEC in respect of the Corporation's annual consolidated and interim condensed consolidated financial statements;

"**Member**" means a Director appointed to the Committee;

"**NYSE**" means the New York Stock Exchange;

"**PCAOB**" means the Public Company Accounting Oversight Board or its successor;

"**Related Party Transactions**" means those transactions required to be disclosed under Items 404(a) and 404(b) of SEC Regulation S-K and required to be evaluated by an appropriate group within the Corporation pursuant to Section 314.00 of the NYSE Listed Company Manual which, without limiting the foregoing, are transactions between: (i) executive officers, directors, principal shareholders or their immediate family members; and (ii) the Corporation;

"**SEC**" means the United States Securities and Exchange Commission; and

"**Shareholders**" means the shareholders of the Corporation.

### **3.0 ESTABLISHMENT AND COMPOSITION OF COMMITTEE**

- 3.1 The Committee will be comprised of three (3) or more Directors, each of whom is Independent and Financially Literate. No Member may be a member of Management or an employee of the Corporation or of any affiliate of the Corporation. The Board will appoint to the Committee at least one Director who is a Financial Expert.
- 3.2 Members will be appointed by the Board at the annual organizational meeting of the Board, or at other times as may be necessary, provided, however, that if the appointment of Members is not so made at such a meeting, the Directors who are then serving as Members will continue as Members until their successors are appointed.
- 3.3 The Board may appoint a Member to fill a vacancy which occurs on the Committee between annual elections of Directors. If a vacancy exists on the Committee, the remaining Members will exercise all of the powers of the Committee so long as at least three (3) Members remain in office.
- 3.4 Any Member may be removed from the Committee by a resolution of the Board.
- 3.5 No Member will serve on more than three public company audit committees without the approval of the Board.

- 3.6 The Board will appoint a Chair on the recommendation of the Corporation's Governance and Nominating Committee, or such other committee as the Board may authorize, provided, however, that if the appointment of the Chair is not so made, the Director who is then serving as Chair will continue as Chair until his or her successor is appointed. The Board will periodically rotate the Chair and will make reasonable efforts to rotate the Chair every four years. Such rotation will occur after the annual general meeting of Shareholders.

#### **4.0 COMMITTEE MEETINGS**

- 4.1 The Committee will meet at least quarterly and will meet at such other times during the year as it deems appropriate. Meetings of the Committee will be held at the call of: (i) the Chair; or (ii) any two Members; or (iii) the Independent Auditor; and may be held in-person, by means of remote communication or a combination thereof. The time and place of the meetings of the Committee and the procedures for such meetings will be determined by the Committee.
- 4.2 The Chief Executive Officer, the Chief Financial Officer, the Independent Auditor and the Internal Auditor will receive notice of and, unless otherwise determined by the Chair, will attend all meetings of the Committee. For clarity, the Independent Auditor must attend the Committee meetings at which the Corporation's annual audited consolidated and non-consolidated financial statements and interim unaudited condensed consolidated financial statements are reviewed.
- 4.3 A quorum at any meeting of the Committee will be at least three or more Members.
- 4.4 Each Member will have the right to vote on matters that come before the Committee.
- 4.5 Any matter to be determined by the Committee will be decided by a majority of votes cast at a meeting of the Committee at which such matter is considered. Actions of the Committee may also be taken by an instrument or instruments in writing signed by all of the Members, and such actions will be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.
- 4.6 The Chair will act as chair of all meetings of the Committee at which the Chair is present. In the absence of the Chair from any meeting of the Committee, the Members present at the meeting will appoint one of such Members to act as Chair of the meeting.
- 4.7 Unless otherwise determined by the Chair, the Corporate Secretary of the Corporation will act as secretary of all meetings of the Committee.

- 4.8 The Committee will periodically meet separately with Management, the Internal Auditor and the Independent Auditor to discuss any matters that the Committee or any of these persons or firms believes should be discussed privately.

## **5.0 SPECIFIC RESPONSIBILITIES AND DUTIES**

### **Independent Auditor**

- 5.1 In consultation and coordination with the subsidiary audit committees, the Committee will be directly responsible for the appointment (through a recommendation to the Board for the appointment by Shareholders), compensation and retention of the Independent Auditor.
- 5.2 The Committee will oversee the work of the Independent Auditor in connection with the Core Audit Services and any other services performed for the Corporation. The Independent Auditor will report directly to the Committee and the Committee has the authority to communicate directly with the Independent Auditor.
- 5.3 The Committee will oversee the resolution of any disagreements between Management and the Independent Auditor. The Committee will discuss with the Independent Auditor the matters required to be discussed under PCAOB Auditing Standard No. 1301 relating to the conduct of the audit, including any problems or difficulties encountered and Management's responses thereto and any restrictions on the scope of activities or access to requested information.
- 5.4 The Committee will pre-approve all services performed by the Independent Auditor in accordance with the Corporation's *Pre-Approval Policy for Independent Auditor Services*. For any service, other than Core Audit Services, requiring specific pre-approval in accordance with such policy, the Committee may delegate pre-approval authority to one or more of its Members. Currently, pre-approval authority in this regard has been delegated to the Chair or, in that person's absence, the Chair of the Board who is a Member. Delegates must report all pre-approval decisions to the Committee at the next scheduled meeting.
- 5.5 The Committee will annually obtain and review a report from the Independent Auditor delineating all relationships between the Independent Auditor and the Corporation and its subsidiaries in accordance with Item 407(d) of SEC Regulation S-K and Section 303A.07 of the NYSE Listed Company Manual and addressing the matters set forth in PCAOB Rule 3526. The Committee will use reasonable efforts, including discussion with the Independent Auditor, to satisfy itself as to the Independent Auditor's independence in accordance with Canadian generally accepted auditing standards and PCAOB standards, the requirements and interpretative guidance of SEC Regulation S-X and any other applicable regulations and professional standards. The Committee will discuss any potential

independence issues with the Board and recommend any commensurate action that the Committee deems appropriate.

- 5.6 The Committee will review and evaluate the qualifications and performance of the Independent Auditor and its lead engagement partner. Without limiting the generality of the foregoing, the Committee will:
- (a) review and discuss with Management and separately with the Independent Auditor the results of the Corporation's annual Independent Auditor assessment process; and
  - (b) at least annually, obtain and review a report from the Independent Auditor describing the firm's internal quality control process and procedures, including any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation by governmental or professional authorities (including without limitation the PCAOB and the CPAB) within the preceding five years with respect to independent audits carried out by the Independent Auditor, and any steps taken to deal with such issues.

The Committee will discuss any arising issues with the Board and recommend any commensurate action that the Committee deems appropriate.

- 5.7 The Committee will ensure the rotation of the audit partner(s) as required by applicable law and consider the need for rotation of the Independent Auditor.
- 5.8 The Committee will meet with the Independent Auditor prior to the audit to discuss the planning and staffing of the audit, including the general approach, scope, areas subject to significant risk of material misstatement, estimated fees and other terms of engagement.

### **Financial Reporting**

- 5.9 In consultation with Management, the Independent Auditor and the Internal Auditor, the Committee will review and satisfy itself as to: (i) the integrity of the Corporation's internal and external financial reporting processes; (ii) the adequacy and effectiveness of the Corporation's disclosure controls and procedures (including those pertaining to the review of disclosure containing financial information extracted or derived from the Corporation's financial statements) and internal controls over financial reporting; and (iii) the competence of the Corporation's personnel responsible for accounting and financial reporting. Without limiting the generality of the foregoing, the Committee will receive and review:
- (a) reports regarding: (i) critical accounting estimates, policies and practices; (ii) goodwill impairment testing; (iii) derivatives and hedges; and (iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Corporation's financial statements;

- (b) analyses by Management and the Independent Auditor regarding significant financial reporting issues and judgements made in connection with the preparation of the Corporation's consolidated financial statements including: (i) alternative treatments of financial information within generally accepted accounting principles related to material matters that have been discussed with Management, their ramifications and the treatment preferred by the Independent Auditor; (ii) major issues regarding accounting principles and presentations, including significant changes in the selection or application of accounting principles; and (iii) major issues regarding the adequacy of the Corporation's internal controls and any specific audit steps adopted in light of material weaknesses or significant deficiencies in internal controls; and
- (c) other material written communication between Management and the Independent Auditor.

5.10 The Committee will, prior to external release if applicable, review and discuss with Management and the Independent Auditor, and with others as it deems appropriate:

- (a) the Corporation's annual audited consolidated and non-consolidated financial statements and interim unaudited condensed consolidated financial statements and the Independent Auditor's related attestation reports as well as any related MD&As;
- (b) Management's report and the Independent Auditor's audit report on internal controls over financial reporting;
- (c) significant reports or summaries thereof pertaining to the Corporation's processes for compliance with the requirements of the Sarbanes Oxley Act of 2002 with respect to internal controls over financial reporting;
- (d) the Independent Auditor's quarterly review reports and annual audit results report summarizing the scope, status, results and recommendations of the quarterly reviews of the Corporation's interim condensed consolidated financial statements and of the audit of the Corporation's annual consolidated financial statements and related audit of internal controls over financial reporting, and also containing at least: (i) the communications with respect thereto between the Independent Auditor and the Committee required by PCAOB Auditing Standard No. 1301 and any other applicable regulations and professional standards, including without limitation schedules of corrected and uncorrected account and disclosure misstatements and significant deficiencies and material weaknesses in internal controls; (ii) the (at least) annual independence communication required by PCAOB Rule 3526; (iii) the Management representation letter; and (iv) the documentation and communication required quarterly from the Independent Auditor

under the Corporation's *Pre-Approval Policy for Independent Auditor Services*;

- (e) the *Report to Shareholders* contained in the Corporation's annual report; and
  - (f) any other document that the Committee determines should be reviewed and discussed with Management and the Independent Auditor or for which a legal or regulatory requirement in that regard exists.
- 5.11 The Committee will, prior to external release, review and discuss with Management and with others as it deems appropriate, the financial information to be disclosed in the Corporation's interim and annual earnings media releases or other media releases.
- 5.12 The Committee will recommend the Corporation's annual audited consolidated financial statements together with the Independent Auditor's audit report thereon and on internal controls over financial reporting, Management's report on internal controls over financial reporting, MD&A, earnings media release, and *Report to Shareholders* for approval by the Board and subsequent external release as well as inclusion of the noted financial statements in the Corporation's annual report on Form 40-F. The Committee will approve the external release of the Corporation's interim unaudited condensed consolidated financial statements and related interim MD&As and earning media releases on behalf of the Board.
- 5.13 The Committee will, prior to external release, review and discuss with Management and with others as it deems appropriate, and recommend for approval by the Board:
- (a) any earnings and dividend guidance to be provided by the Corporation;
  - (b) the Annual Information Form and Management Information Circular to be filed by the Corporation;
  - (c) any prospectus or other offering documents and documents related thereto for the issuance of securities by the Corporation; and
  - (d) other financial information and disclosure documents to be released publicly.
- 5.14 The Committee will review, and discuss with Management and with others as it deems appropriate, the disclosures made by the Chief Executive Officer and Chief Financial Officer of the Corporation pursuant to their certification of the Corporation's annual and quarterly reports regarding significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting and any fraud involving Management or other employees.
- 5.15 The Committee will use reasonable efforts to satisfy itself as to the appropriateness of the Corporation's material financing and tax structures.



- 5.16 The Committee will review, and discuss with Management and with others it deems appropriate, financial information provided to analysts and ratings agencies. Such discussions may be in general terms (i.e. discussion of the types of information to be disclosed and the types of presentations to be made) and need not occur in advance of each release of information.
- 5.17 The Committee will prepare, or cause to be prepared, any reports of the Committee required to be included in the Corporation's public disclosures or otherwise required by applicable law.
- 5.18 The Committee will review, discuss with Management and with others as it deems appropriate, and approve all Related Party Transactions and the disclosure thereof.

### **Internal Audit**

- 5.19 The Committee will be responsible for the oversight of the Internal Auditor in accordance with the Policy on the Role of the Internal Audit Function and has the authority to communicate directly with the Internal Auditor.
- 5.20 The Committee will review, discuss with the Internal Auditor and others as it deems appropriate and approve the annual internal audit plan.
- 5.21 The Committee will review and discuss with Management and the Internal Auditor and others as it deems appropriate the quarterly internal audit reports prepared for the Committee (which will incorporate all significant activities of the internal audit function for the quarter) and any Management responses thereto.
- 5.22 The Committee will periodically discuss with the Internal Auditor any significant difficulties, disagreements with Management, or scope restrictions encountered in the course of carrying out the work of the internal audit function.
- 5.23 The Committee will periodically discuss with the Internal Auditor the internal audit function's responsibility, budget and staffing.
- 5.24 The Committee will satisfy itself as to the performance of the internal audit function and the qualifications of its staff.

### **Risk Management and Other**

- 5.25 The Committee will be responsible for the oversight of the Corporation's ERM Program.
- 5.26 The Committee will review and discuss with Management, the Internal Auditor and others as it deems appropriate Management's report regarding identifying, assessing and addressing significant risks and related matters pursuant to the ERM Program.

- 5.27 The Committee will review and discuss with Management and others as it deems appropriate the quarterly report prepared by Management regarding significant litigation and other significant legal matters that could have a significant impact on the Corporation or its financial statements.
- 5.28 The Committee will be responsible for the oversight of the Corporation's insurance program.

### **Policies and Mandate**

- 5.29 The Committee is responsible for the oversight of the following policies:
- (a) Policy on Reporting Allegations of Suspected Improper Conduct and Wrongdoing (including overseeing procedures for the receipt, retention, and treatment of complaints regarding accounting, internal controls, or auditing matters as well as procedures for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters as required by applicable law);
  - (b) Derivative Instruments and Hedging Policy;
  - (c) Pre-Approval Policy for Independent Auditor Services;
  - (d) Hiring from Independent Auditing Firms Policy;
  - (e) Policy on the Role of the Internal Audit Function;
  - (f) Disclosure Policy; and
  - (g) other policies that may be established from time-to-time regarding accounting, financial reporting, disclosure controls and procedures, internal controls over financial reporting, oversight of the external audit of the Corporation's financial statements, and oversight of the internal audit function.
- 5.30 The Committee will periodically review this mandate and the policies in Section 5.29 and recommend any necessary amendments to the Governance and Nominating Committee for consideration and recommendation to the Board as deemed appropriate.

## **6.0 REMUNERATION OF MEMBERS**

- 6.1 Members and the Chair will receive such remuneration for their service on the Committee as the Board may determine from time to time, having considered the recommendation of the Committee.
- 6.2 No Member may earn fees from the Corporation or any of its subsidiaries other than Directors' fees (which fees may include a combination of cash, benefits, deferred share units and common shares or other equity securities of the Corporation). For greater certainty, no Member will accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

## **7.0 GENERAL**

- 7.1 The Chair, or another designated Member, will report to the Board at each regular meeting on those matters which were dealt with by the Committee since the last regular meeting of the Board.
- 7.2 This mandate will be posted on the Corporation's corporate website at [www.fortisinc.com](http://www.fortisinc.com).
- 7.3 The Committee will annually review its own effectiveness and performance.
- 7.4 The Committee will perform any other activities consistent with this mandate, the Corporation's bylaws and applicable law that the Board or Committee determines are necessary or appropriate.
- 7.5 The Committee is not responsible for certifying the accuracy or completeness of the Corporation's financial statements or their presentation in accordance with generally accepted accounting principles, or for guaranteeing the accuracy of the attestation reports of the Independent Auditor. The fundamental responsibility for the Corporation's financial statements and disclosures and internal controls over financial reporting rests with Management and, in accordance with its professional responsibilities, the Independent Auditor. Nothing in this mandate is intended to modify or augment the obligations of the Corporation or the fiduciary duties of the Committee or the Board under applicable law.