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# Board-Shareholder Engagement Presentation

November 14, 2017



# Forward Looking Statement

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## Forward-Looking Information

Fortis Inc. (“Fortis” or, the “Corporation”) includes “forward-looking information” in this presentation 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”). Forward-looking information included in this presentation reflects the expectations of Fortis management regarding future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “target”, “will”, “would” and the negative of these terms and other similar terminology or expressions have been used to identify forward-looking information, which includes, without limitation: targeted board composition for 2018 and targeted average annual dividend growth through 2022.

Forward-looking information involves significant risk, uncertainties and assumptions. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking information. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally, including those identified from time-to-time in the forward-looking information. Such risk factors or assumptions include, but are not limited to: the expectation of regulatory stability; no material capital project and financing cost overrun related to any of the Corporation’s capital projects; sufficient human resources to deliver service and execute the capital program; the Board of Directors exercising its discretion to declare dividends, taking into account the business performance and financial conditions of the Corporation; risk associated with the impact of less favorable economic conditions on the Corporation’s results of operations; and no significant changes in laws and regulations that may materially negatively affect the Corporation and its subsidiaries. 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 in this presentation is given as of the date of the presentation and 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.

**Unless otherwise specified, all financial information referenced is in Canadian dollars.**

# Meeting Agenda

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## Corporate Overview

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## Board Composition and Operation

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## Corporate Governance

- Strategy oversight
- Executive succession planning
- Executive compensation
- Board assessment and renewal
- Environmental oversight
- Risk management
- Social commitment

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# Corporate Overview



# Business Overview

*Fortis Inc. owns regulated utility businesses that are primarily focused on electric transmission and distribution and natural gas distribution.*

*Our businesses deliver safe, reliable, cost-efficient service to more than 3 million customers.*

## Fortis Quick Facts<sup>(1)</sup>

**10** Utility Operations in Canada, the US and the Caribbean

**8,000+** Employees

**~2M** electric utility customers

**~1M** gas utility customers

**Mostly Transmission & Distribution**

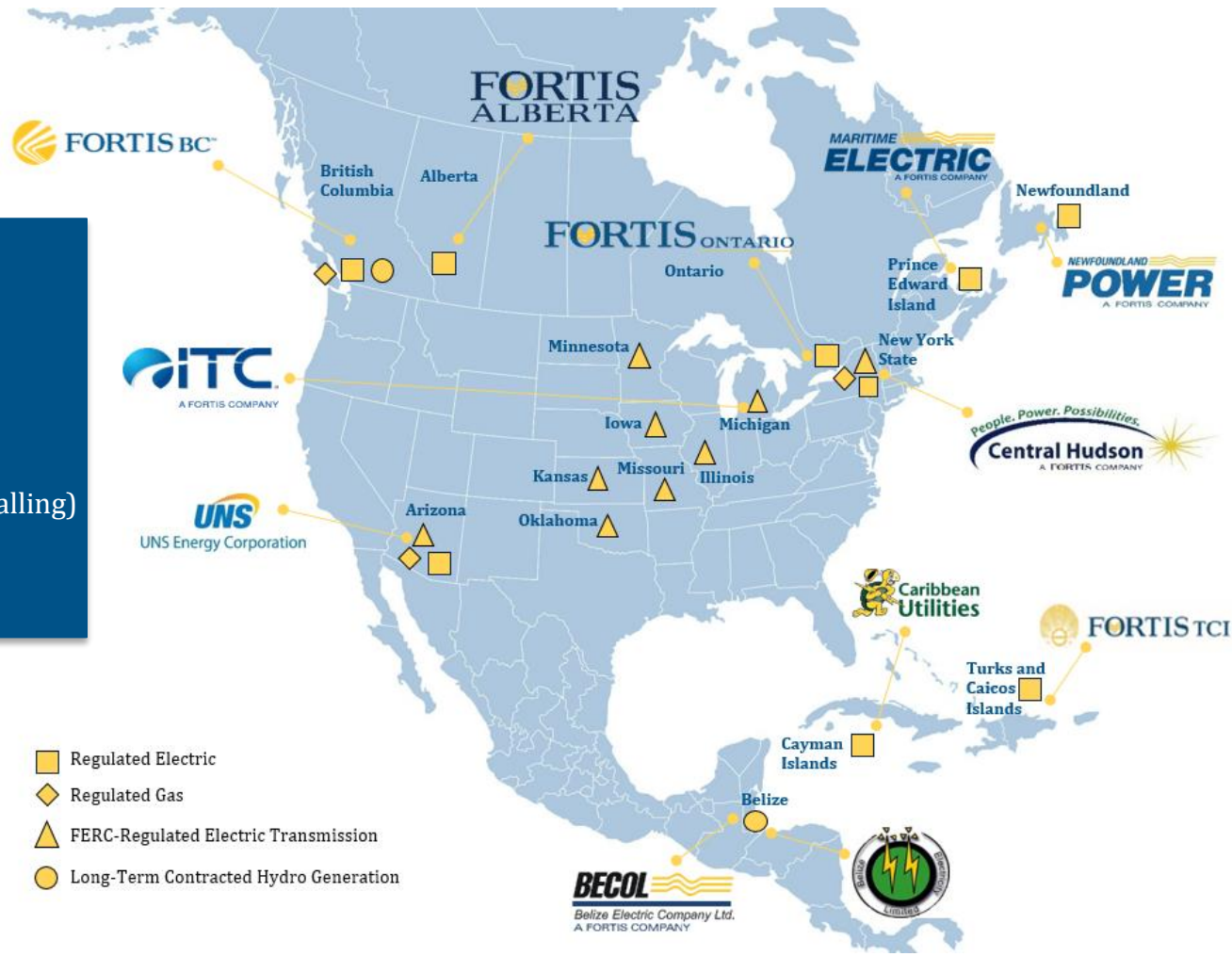
**Low Environmental Impact**

(1) As at September 30, 2017.



# One of the Lowest-Risk Utility Businesses in North America

- 97% regulated businesses<sup>(1)</sup>
- Geographic and jurisdictional diversification
- Very small (and falling) coal generation component



(1) As at September 30, 2017

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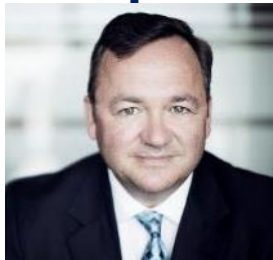
# Board Composition and Operation



# Strong and Experienced Board of Directors



**Douglas J. Haughey**  
*Chair of the Board of Fortis*



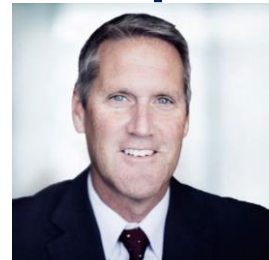
**Barry V. Perry\***  
*President & CEO of  
Fortis*



**Tracey C. Ball**  
*Chair of the Audit  
Committee of Fortis and  
Chair of FortisAlberta*



**Pierre J. Blouin**



**Lawrence T. Borgard**



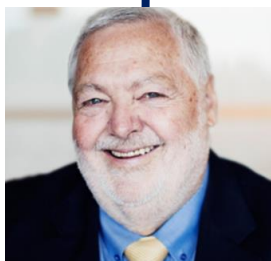
**Maura J. Clark**



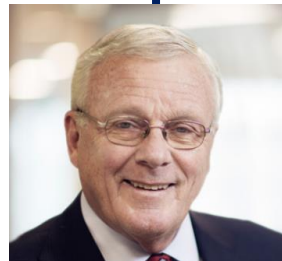
**Margarita K. Dilley**  
*Chair of Central Hudson  
Gas and Electric Company*



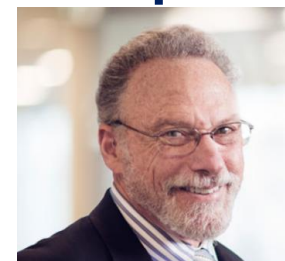
**Ida J. Goodreau**  
*Chair of the Human  
Resources Committee  
of Fortis and Chair of  
FortisBC*



**R. Harry McWatters**



**Ronald D. Munkley**  
*Chair of the Governance  
and Nominating Committee  
of Fortis*



**Joseph L. Welch\***  
*Chair of ITC Holdings  
Corp.*



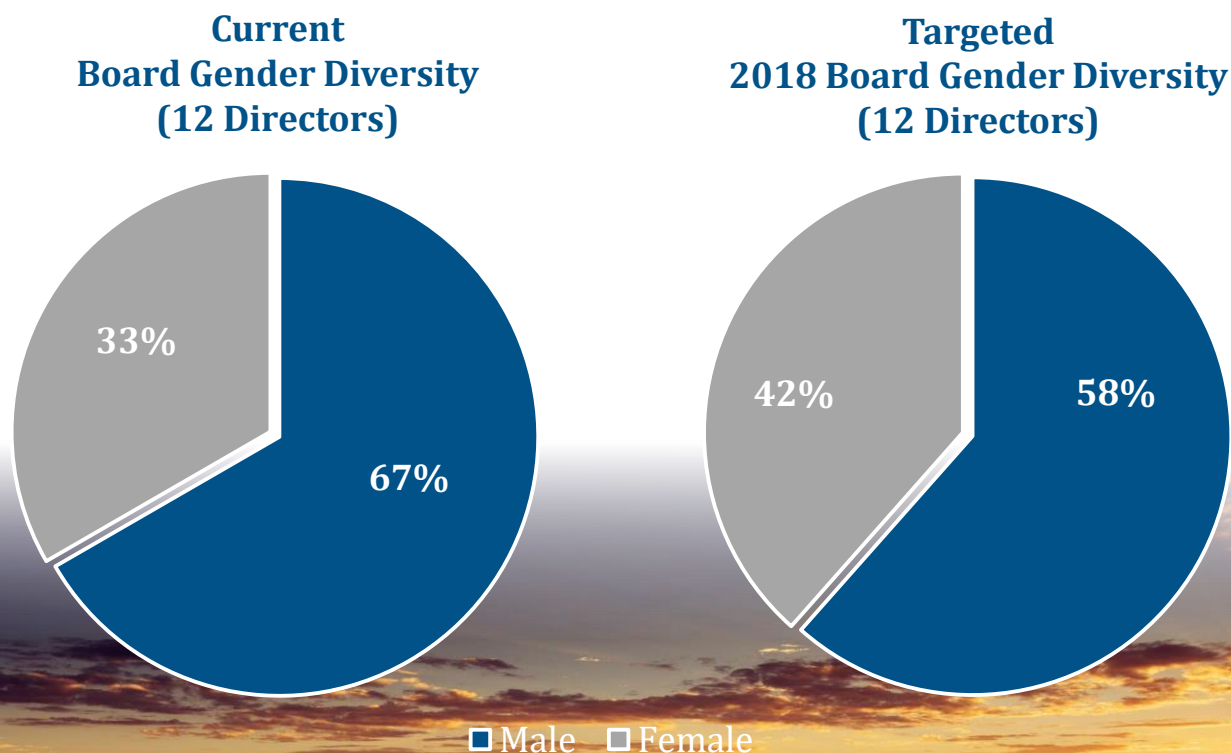
**Jo Mark Zurel**

\* Not independent



# Board Composition

Diverse board composition (now and targeted 2018)



## A strong and diverse board

**100%** are financially literate

**10** of 12 directors are independent

Average tenure **4.3** years

**8** have utility/ energy experience

**10** have governance and risk management experience

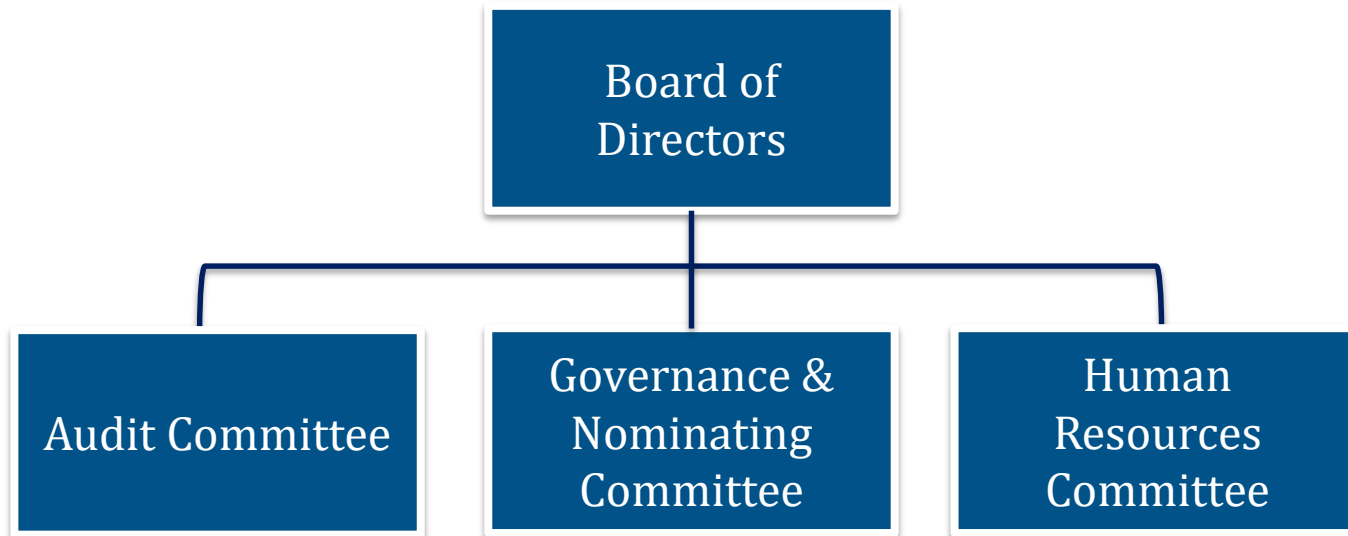
**7** have executive compensation experience

**100%** have senior executive experience

- Currently meet gender target of not less than 1/3 female representation
- Target to have 5 females (42%) for 2018
- 4 of our major subsidiaries have a female chair

# Three Standing Board Committees

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# Substantially Autonomous Operating Model

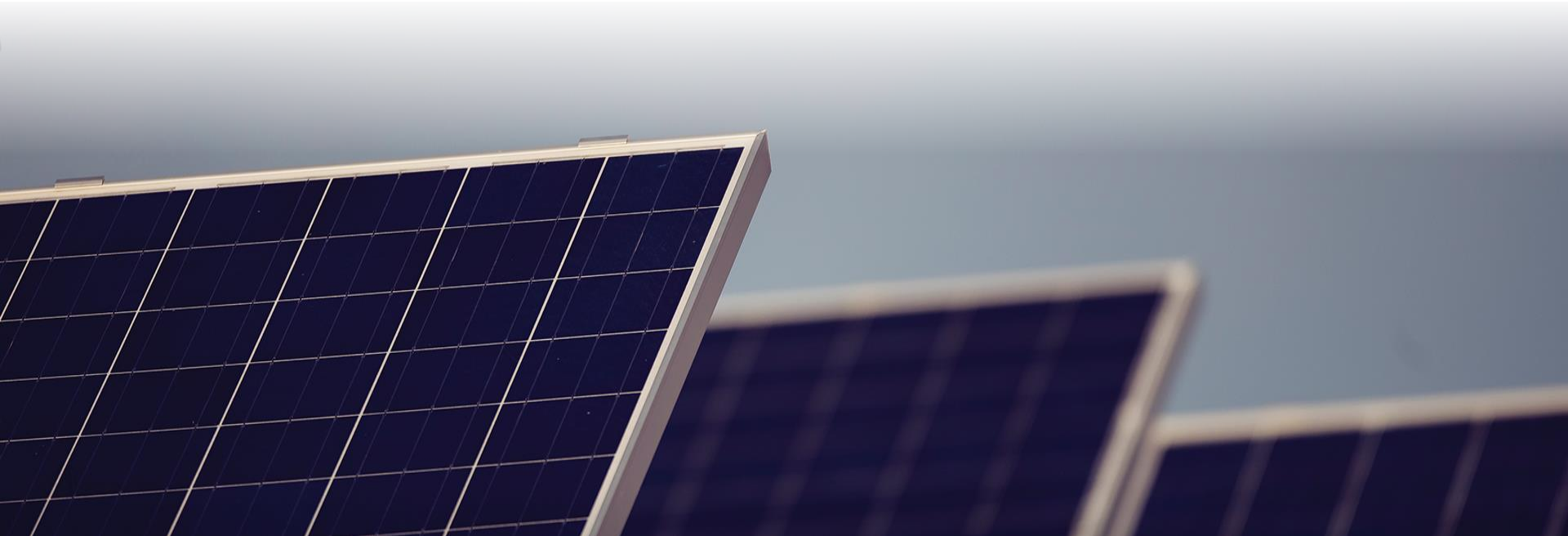
## Governance Structure

- Fortis oversees 10 utility businesses
- Most operating subsidiaries are governed by their own board comprised of:
  - Majority of locally resident and independent directors
  - Subsidiary CEO
  - Executive officer(s) of Fortis
  - One other CEO from a Fortis operating subsidiary
- Effective, independent oversight within parameters of Fortis policies and practices
- Local presence, autonomy and sharing of best practices



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# Corporate Governance



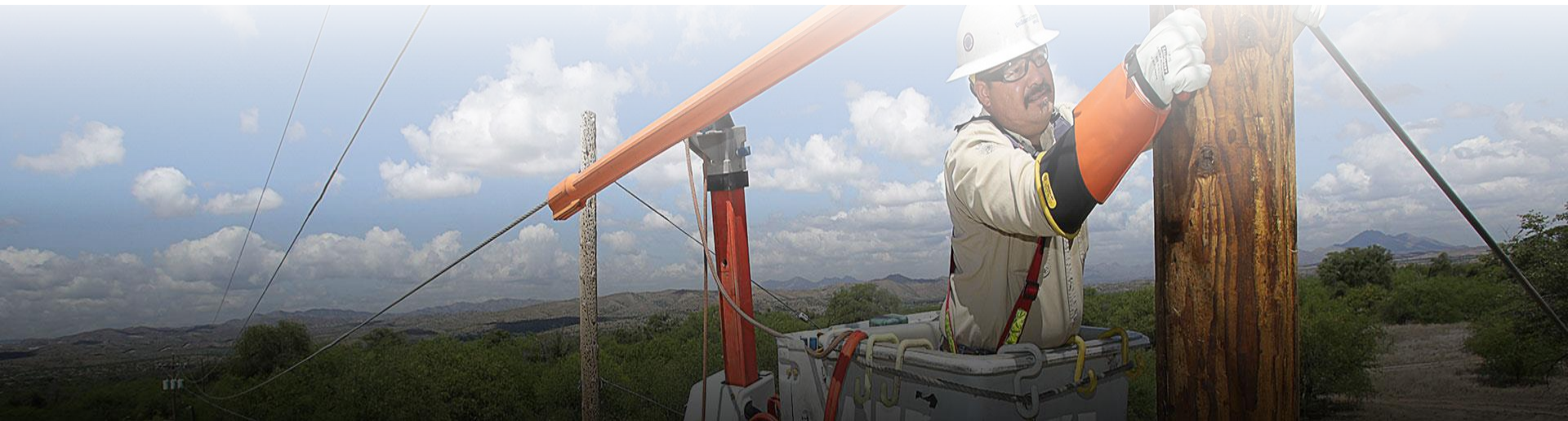


# Corporate Governance

## Overview

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- The Board and the management of Fortis embrace the critical importance of good corporate governance practices and focus on the following:
  - Strategy (Board)
  - Executive succession planning (Human Resources Committee)
  - Executive compensation (Human Resources Committee)
  - Board assessment and renewal (Governance and Nominating Committee)
  - Environmental oversight (Governance and Nominating Committee)
  - Risk management (Audit Committee)
  - Social commitment (Board)





# Recognition of Top Quartile Governance

- The 2017 Governance Gavel Award from the Canadian Coalition for Good Governance for "Best Disclosure of Corporate Governance and Executive Compensation Practices"
- The 2016 Globe and Mail Board Games awarded Fortis a score of 97 out of 100 ranking 6<sup>th</sup> out of 231 S&P/TSX Composite Companies
- Both ISS and Glass Lewis have supported all resolutions at the last three annual general and special meetings



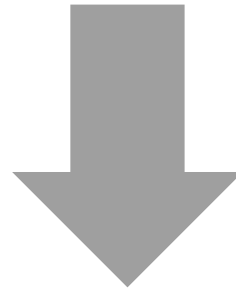
# Strategy Overview

## *Board Driven Strategy*

*Leverage the operating model, footprint of our utilities, operating expertise, reputation and financial strength to develop growth opportunities*



Dividend Growth Target:  
6% Average Annual  
Growth Through 2022



Investment-Grade  
Credit Ratings

## *Strategic Initiatives*

Execute  
Utility  
CAPEX Plan

ITC  
Transmission  
Growth

Deliver  
Cleaner  
Energy

Enhance  
Customer &  
Regulatory  
Relationships

Unlock LNG  
Value

Pursue Energy  
Infrastructure  
in and Near  
Existing Service  
Territories

# Executive Succession Planning

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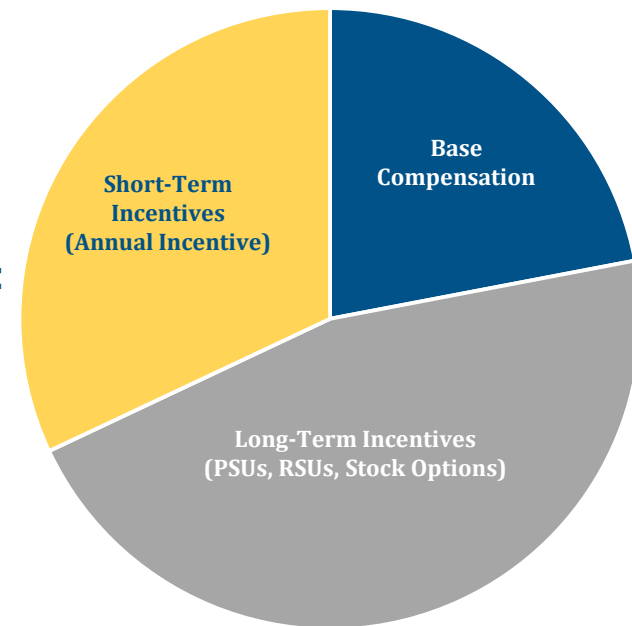
- Annual review of enterprise-wide talent pipeline for key executive roles
- Oversight of talent management programs to support long-term succession needs
- Monitor emerging or changing executive talent requirements
- Framework for CEO succession process in place



# Executive Compensation

- Objective: Fair compensation, linked to performance and aligned with shareholders
- Reviewed annually, comprehensive review biennially with external advisors
- Recent changes to compensation from biennial review:
  - Amended comparator group to include more US companies
  - Adjusted weightings between US and Canadian companies (50/50 split)
  - STI and LTI target maximum increased to 200% to better align with market
- Risk assessment of executive compensation program completed in 2016 by external consultant
  - Top decile score of companies assessed by external consultant
- Annual “Say on Pay”
  - Received a vote of 97.49% for 2016 and 97.51% for 2017

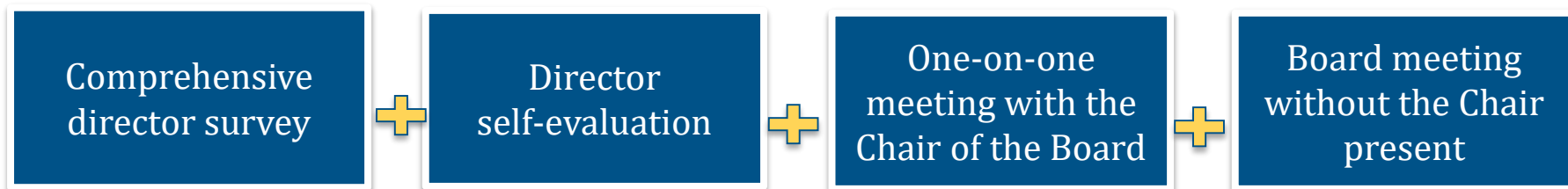
**Total Direct Compensation**



# Board Assessment and Renewal

## Annual Assessment of Board and Committee Process

- Comprehensive survey and interviews help assess individual and overall board performance



## Tenure Policy

- Policy limits Board to 12 years of service or 72 years of age
- Allows for Board renewal and strengthens independence

## Board Drives the Board Renewal Process

- GNC oversees director recruitment and nomination process to fill vacancies
- “Greenlist” maintained - subsidiaries have provided source of seven directors
- Use external and independent search firm to help identify and evaluate potential candidates



# Environmental Oversight

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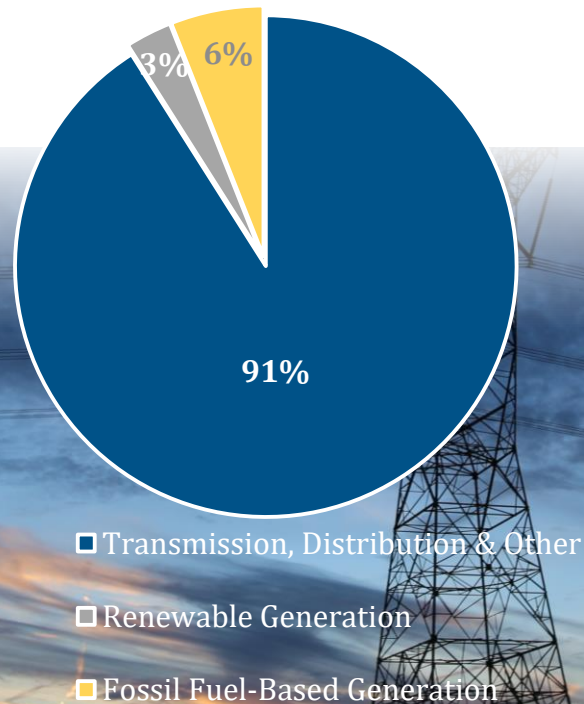
- Operate in an environmentally responsible manner
- Provide safe, reliable and cost-efficient energy to customers
- Consultation with customers and stakeholders is paramount to regulatory construct
- Environmental reporting and compliance systems implemented and monitored by regulated subsidiaries
- Enterprise-wide disclosure and communication of key performance measures and subsidiary initiatives
  - Annual publication of Environmental Report

# Low Environmental Impact

Minimal amount of fossil fuel generation

## 91% Transmission, Distribution and Other Assets

as at December 31, 2016



# Risk Management

## Risk Management and Financial Oversight

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### **Risk Management Overview**

- Highly regulated businesses
- Board oversees corporate-wide enterprise risk management
- Board regularly receives and reviews enterprise risk updates throughout the year

### **Financial Reporting**

- Independent Audit Committee supported by experienced management
- Operating subsidiaries have independent Audit Committees
- Same external auditor across group
- Internal auditor function at Fortis has oversight throughout organization
- SOX compliant by December 31, 2017

# Risk Management

## Cybersecurity



- Cybersecurity is a high priority for the Board
- In 2017:
  - Fortis created a new Executive CIO position
  - Conducted Board training on cybersecurity
- Fortis Approach:
  - NERC CIP Compliance
  - C2M2 – Cybersecurity Capability Maturity Model
  - Establish metrics and continuous improvements to mitigate risks
  - Focused on building a security-minded culture
  - Leveraging best practices across utility businesses

# Social Commitment

1

## Customers and Stakeholder Engagement

- Customers are at the forefront
- Continuous engagement with regulators and stakeholders

2

## Health and Safety

- The safety of our employees, the public and facilities is one of our highest priorities
- Fortis and its subsidiaries are committed to a culture of safety

3

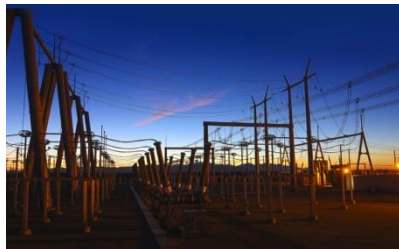
## Employee Relations

- Talent management, labour management, EAP, diversity, workforce training

4

## Community Involvement

- Fortis, its subsidiaries and employees offer their time, energy and financial contributions to hundreds of initiatives in the areas of health, education, environmental stewardship and culture





# Community Involvement

Fortis utilities share a commitment to community service

*Our companies are spread across Canada, the United States and the Caribbean but there is one principle that they all share: a commitment to engagement with and support for their communities. In areas of health, education, safety and the environment, our employees are making a difference*



## ITC's unwavering commitment to safety

ITC Midwest worked with Iowa's Governor on a multi-utility initiative to focus on driver safety across the state. Iowa moved to expand its *Move Over or Slow Down* law on July 1, 2017 to include utility trucks and garbage and recycling trucks that have lights flashing. In accordance with Iowa state law, drivers pledge to move over or slow down when approaching stationary vehicles with flashing lights activated.



## UNS Energy celebrates 125 years community service

Tucson Electric Power is celebrating 125 years of service to the Tucson community with special volunteer projects, donation drives and events. It's the utility's way of saying thanks to its customers for a long, rich history in southern Arizona.



## FortisBC teams up with Habitat for Humanity

FortisBC has a proud history of service to BC communities. From corporate and matching employee donations to investing in community programs and an employee-run charity, FortisBC employees believe in giving back where they live and work.

# Board Shareholder Engagement

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*The Board and management are committed to good governance, environmental stewardship and sound business practices. We are also committed to routinely reviewing our governance framework practices and receiving feedback from our shareholders as we grow and expand our investor base. Fortis continues to promote diversity and has committed to having a Board where each gender represents at least one-third of the Board's independent directors – a level we currently meet.*

- Looking ahead we are considering the adoption of a formal Shareholder Engagement Policy
- Q&A/ Comments