

# BOARD SHAREHOLDER ENGAGEMENT

NOVEMBER 19, 2020



# FORWARD LOOKING INFORMATION

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Forward-looking information involves significant risks, 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 assumptions include, but are not limited to: no material impact from the COVID-19 pandemic; reasonable outcomes for regulatory proceedings and the expectation of regulatory stability; the successful execution of the five-year capital plan; no material capital project or financing cost overruns; sufficient human resources to deliver service and execute the capital plan; no significant variability in interest rates; and the Board exercising its discretion to declare dividends, taking into account the business performance and financial condition of the Corporation. 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 the Corporation with Canadian securities regulatory authorities and the Securities and Exchange Commission. All forward-looking information herein is given as of the date of this presentation. 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 is in Canadian dollars and rate base refers to mid-year rate base.**

# MEETING AGENDA

## Formal Presentation

### Business Overview & Board Structure

- Douglas Haughey – Chair of the Board

### Corporate Governance

- Pierre Blouin – Chair of the Governance and Nominating Committee

### Executive Succession & Compensation

- Jo Mark Zurel – Chair of the Human Resources Committee

## Stakeholder Feedback

## Q&A



# BUSINESS OVERVIEW & BOARD STRUCTURE



# A PREMIUM ENERGY DELIVERY BUSINESS



**93%** TRANSMISSION  
& DISTRIBUTION ASSETS

## HIGH-QUALITY PORTFOLIO:

- **10** Regulated Utility Businesses
- **3.3M** Electric & Gas Customers
- **9,000** Employees
- **99%** Regulated Utility Assets
- **\$24B** Market Capitalization<sup>(1)</sup>
- **~14%** Average Annual 20-Year Total Shareholder Return<sup>(1)</sup>
- **~\$30B** 2020F Rate Base

(1) As of October 31, 2020

# STRATEGICALLY POSITIONED TO NAVIGATE THROUGH COVID-19



## Operationally:

- Strong business model with seasoned leadership at 10 locally operated utilities
- Cohesive culture and relationships supporting effective communication and nimble decision-making
- Essential workers maintaining and operating electricity grids and natural gas networks
- Excellent safety performance during the pandemic period
- Limited impacts on supply chain
- Key operational employees sequestered as necessary



## Financially:

- ~82% of annual revenues protected by regulatory mechanisms or from residential sales<sup>(1)</sup>
- Strong liquidity with ~\$5 billion of credit facilities available and strong access to capital markets
- Limited pension expense exposure

(1) ~63% of annual revenues protected by regulatory mechanisms from changes in sales. Remaining ~37% of annual revenues consists of ~19% residential and ~18% commercial and industrial.

# FIVE-YEAR OUTLOOK HIGHLIGHTS

~\$19.6B

2021-2025  
Capital Plan

\$800M increase  
over prior year  
plan of \$18.8B

~6%

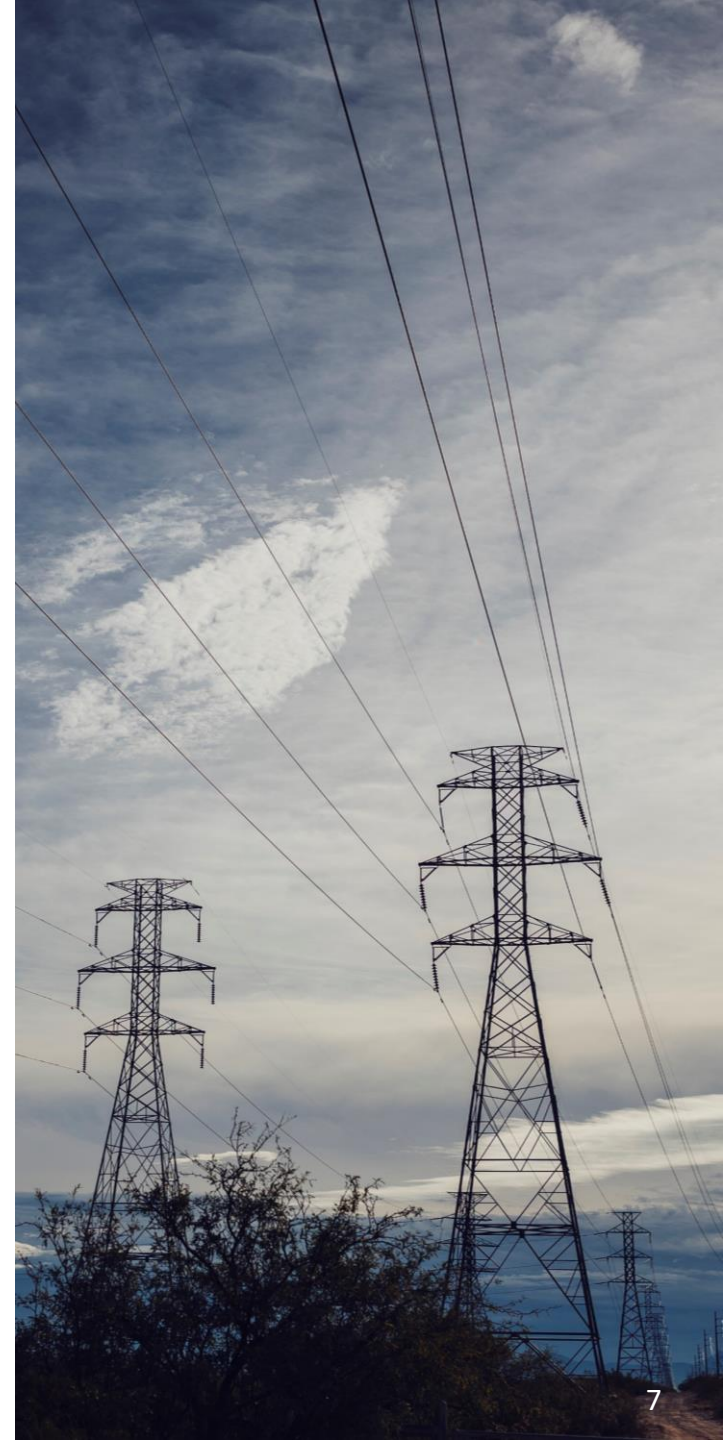
Rate Base  
Growth

Rate base grows  
~\$10B to \$40.3B  
over five-year plan

~6%

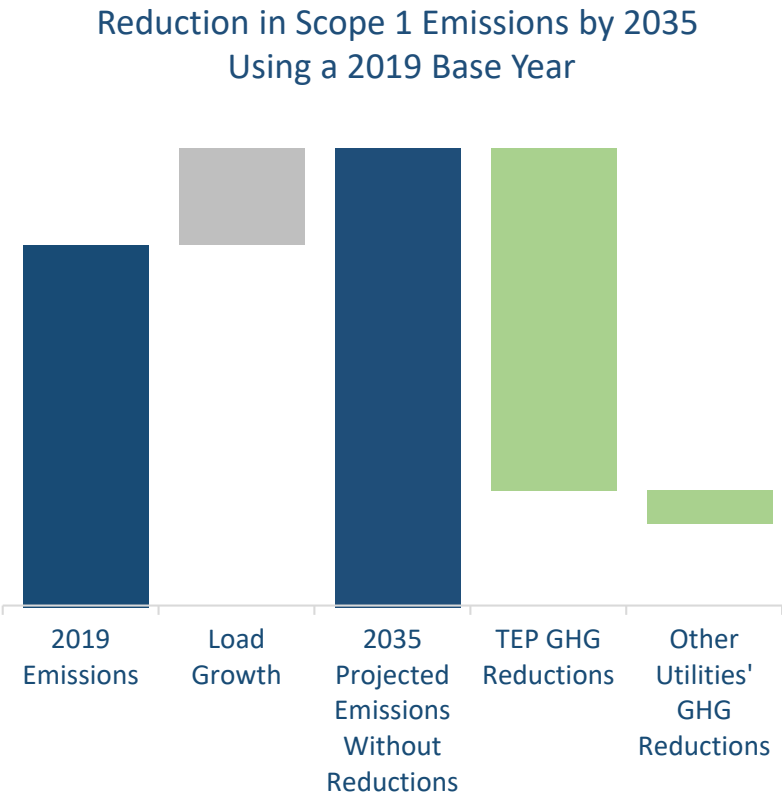
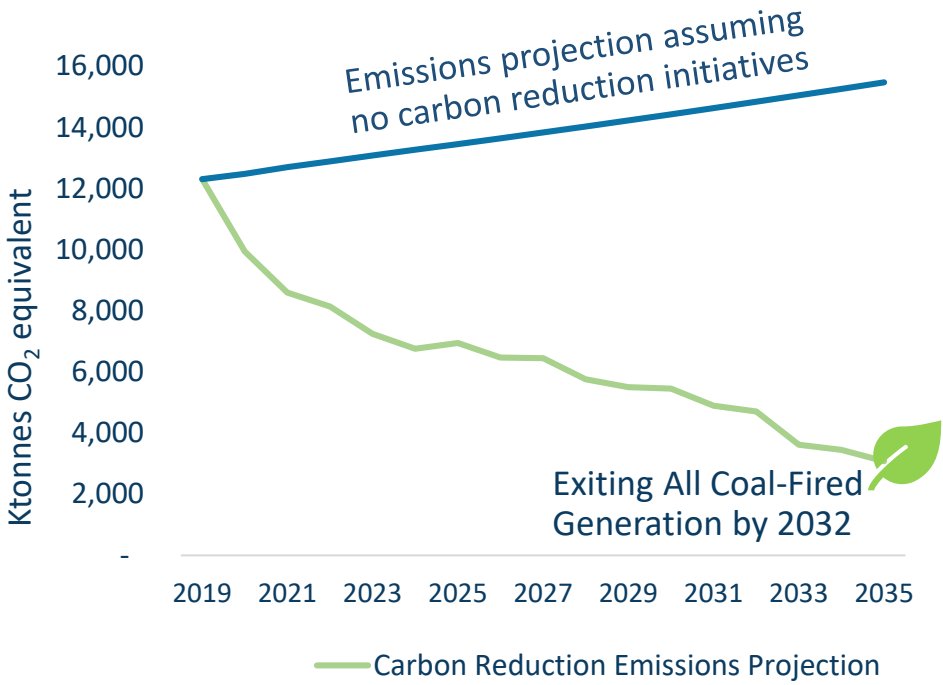
Average Annual  
Dividend Growth  
Guidance to 2025

47 consecutive years  
of dividend increases



# CORPORATE-WIDE CARBON EMISSIONS REDUCTION TARGET OF 75% BY 2035 COMPARED TO 2019 LEVELS

PROVIDES CUSTOMERS  
WITH CLEANER ENERGY



- Industry leader in sustainability with shorter timeframe for reduction and using current base year of 2019
- Focused on reducing Scope 1 emissions
- Target to be largely achieved through TEP’s carbon emissions reduction plan
- Sustainability focus and clean energy initiatives throughout company support target



# SUSTAINABILITY LEADER



Continued Focus on

**Energy  
Delivery**



Carbon emissions reduction target of

**75%** by 2035

using a 2019 base year



Industry leader in  
**Safety  
and Reliability**



Industry recognition<sup>(1)</sup> for

**Strong Governance**

grounded in local leadership & independence

More than

**\$12 million**

in 2019 community investment

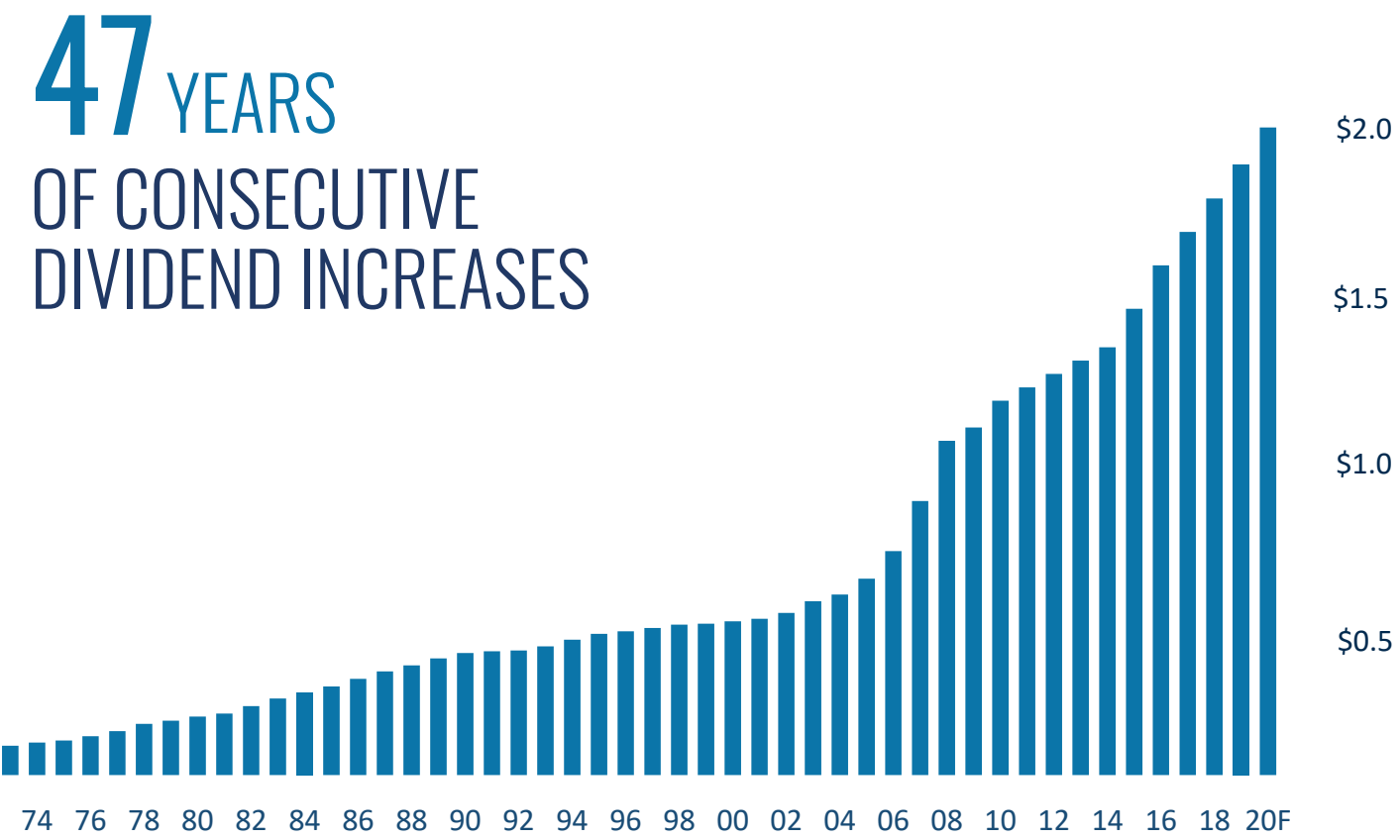


**40%**

of Fortis Inc. Directors elected in  
**2020 are women**; inclusion and  
diversity council created in 2020

(1) The Globe and Mail ranks over 200 Canadian corporate boards based on the quality of their governance practices. Fortis has been ranked Top 20 in Globe & Mail Board Games for the past five years.

# DIVIDEND GUIDANCE SUPPORTED BY LONG-TERM GROWTH STRATEGY



# STRATEGY OVERSIGHT

## Overview

- Board continuously engaged on the development and execution of strategy
- Regular communication between the Board Chair and CEO (and other executives)
- Strategy discussion at every Board meeting and annual in-depth strategy session

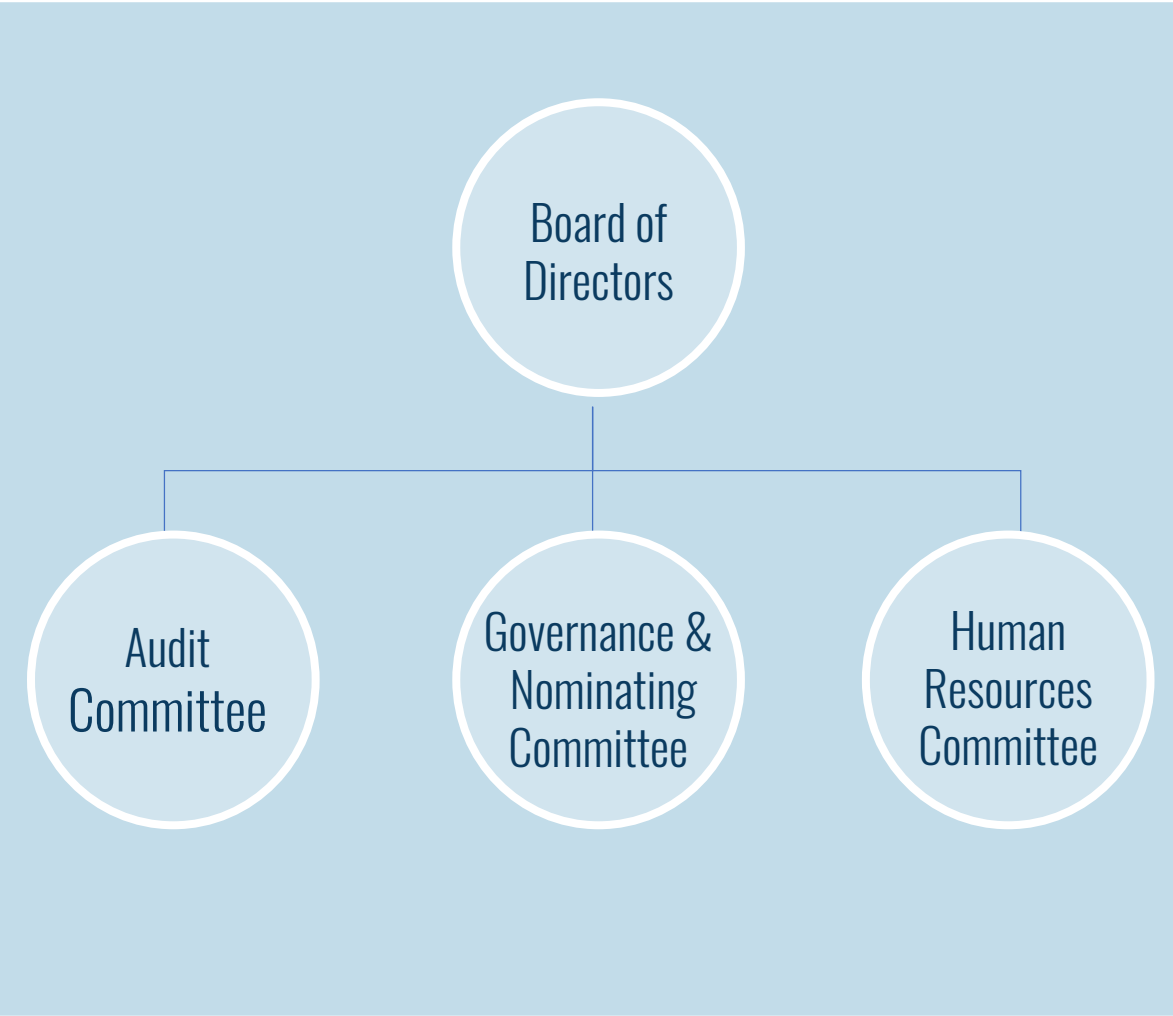
## Strategy Builds on Durable Competitive Advantages

- Focus on regulated energy delivery
- Governance defined by local leadership
- Regulatory and geographic diversity
- ESG Leadership

## Key Strategic Priorities

- Supporting cleaner energy, renewables, storage and low/zero emission transportation
- Investing in resiliency, the smart grid, electrification and cybersecurity
- Environmental and social performance, inclusivity and diversity progress
- Talent, culture and long-term succession planning at the board and executive level

# COMMITTEE & BOARD STRUCTURE



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



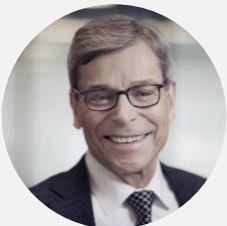
**Barry V. Perry<sup>(1)</sup>**  
President & CEO



**Tracey C. Ball**  
Chair of the Audit Committee



**Pierre J. Blouin**  
Chair of Governance & Nominating Committee



**Paul J. Bonavia**



**Lawrence T. Borgard**



**Maura J. Clark**



**Margarita K. Dilley**  
Chair of Central Hudson



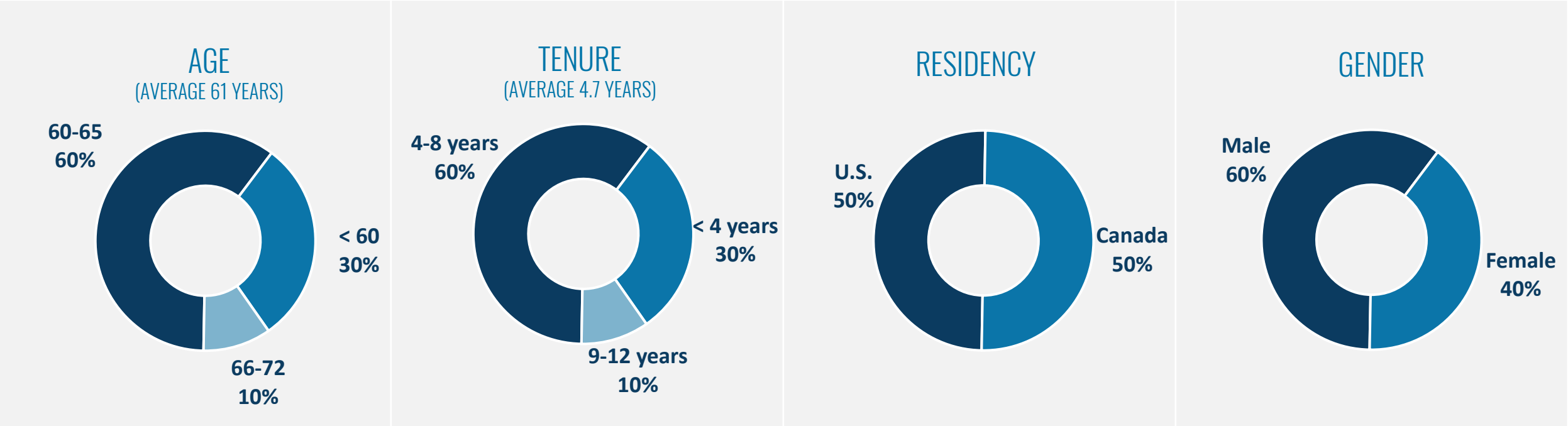
**Julie A. Dobson**



**Jo Mark Zurel**  
Chair of the Human Resources Committee

(1) Barry Perry has announced his retirement effective December 31, 2020. David Hutchens, COO, will succeed Barry Perry as President and CEO and will join the Board effective January 1, 2021.

# STRONG & DIVERSE BOARD



Note: Data as at March 20, 2020.

Expect to enhance diversity of Board with nomination of two new directors in 2021

# CORPORATE GOVERNANCE



# GOVERNANCE OVERVIEW

## Board Composition

- Majority Independent Directors (9 of 10)
- Diversity Policy to ensure all aspects of diversity are considered
- Skills matrix utilized to manage the mix of skills and experience

## Independence

- Independent Board Chair separate from CEO
- All three board committees are 100% independent
- Regular sessions of independent directors
- Tenure Policy ensures regular Board renewal

## Compensation

- Annual advisory vote on executive pay
- Benchmarking done for competitiveness
- Compensation clawback policy to mitigate risk
- Share ownership requirements for directors and executives
- Regular compensation risk assessments

## Director Elections

- Directors elected annually
- Directors elected individually, not by slate
- Majority voting policy to ensure directors receive shareholder support

## Ethics & Education

- Code of Conduct updated regularly to reflect current best practices
- Board education program for ongoing development
- Annual board assessment process to ensure board effectiveness

# APPROACH TO CORPORATE GOVERNANCE

Responsibility Matrix	Board	Governance & Nominating Committee	Human Resources Committee	Audit Committee
Strategy	✓			
Executive Succession Planning	✓		✓	
ESG		✓		
Board Assessment and Renewal		✓		
Talent & Diversity			✓	
Executive Compensation			✓	
Health & Safety	✓			
Risk Management and Financial Oversight				✓
Cybersecurity		✓		
Stakeholder Engagement	✓			

## Strong Performance

- ISS and Glass Lewis supportive of all resolutions for past five years
- Fortis named among Best 50 Corporate Citizens in Canada by Corporate Knights
- Ranked Top 20 in Globe & Mail Board Games for the past five years

## Fortis-Wide Policy Framework includes:

- Anti-corruption
- Code of Conduct
- Whistleblower
- Insider Trading
- Respectful Workplace
- Board and Executive Diversity
- Political Engagement
- Privacy

# BOARD ASSESSMENT & RENEWAL

## Annual Assessment of Board and Committee Process

- Comprehensive survey and interviews to assess individual and overall board performance
- The Board has a guideline and practice of rotating committee chairs every 4 years



## Tenure Policy

- Policy limits Board to 12 years of service or 72 years of age
- Promotes Board renewal and independence, diversity of views and fresh insights

## Board Drives the Board Renewal Process

- GNC oversees director recruitment and nomination process
- Focus on skills matrix, expanded diversity criteria and use of an independent external search firm
- 2020 recruitment process focused on diversity; two new director nominees expected in 2021

# RISK MANAGEMENT & FINANCIAL OVERSIGHT

## Risk Management Overview

- Highly regulated businesses
- Board oversees enterprise risk management across the organization

## Financial Reporting

- Independent Audit Committee supported by experienced management
- Subsidiaries have majority independent Audit Committees and their own external audit
- Internal audit function at Fortis has oversight throughout organization
- SOX compliant

## Trade Association Memberships and Other Non-Profits

- Board oversight of trade association memberships and financial contributions to other non-profits
- No material misalignment with corporate values and policies
- Memberships and financial contributions disclosed



# CYBERSECURITY – A KEY PRIORITY

## Leadership & Oversight

- Oversight by Governance and Nominating Committee
- Chief Technology Officer appointed in 2019 sharing oversight of cybersecurity with Chief Information Officer
- Executive involvement through Fortis Cybersecurity Executive Committee

## Cyber Risk Management

- Implemented a cybersecurity risk management program (CRMP) in 2019 modelled on enterprise risk management program
- Established minimum standards, metrics and continuous improvements to mitigate risks
- Focus on building a security-minded culture
- Leveraging best practices across Fortis businesses and industry



# SUSTAINABILITY OVERSIGHT

- Oversight by Governance and Nominating Committee
- Nora Duke key executive responsible for sustainability
- Enterprise-wide engagement on ESG priorities and initiatives
- Sustainability Report principles and disclosure guided by:
  - Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
  - Global Reporting Initiative (GRI) Standards
  - Task Force on Climate-Related Financial Disclosures (TCFD)
- Annual KPI reporting and biennial Sustainability Report
- Oversight and transparency with respect to trade association membership and financial contributions to non-profits

Sustainability Report Issued in July 2020



# SOCIAL COMMITMENT

## Customers and Stakeholder Engagement

- Our subsidiaries continuously engage with customers, local regulators and other stakeholders

## Health and Safety

- Committed to a culture of safety
- Fortis outperforms industry averages on safety in Canada and the U.S.

## Employee Relations

- Talent management, labour management, employee assistance program, inclusion and diversity

## 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

Fortis Recognized by the  
Report on Business as  
a Gender Diversity Leader



Launched this year, Women Lead Here will be an annual benchmark report for gender diversity produced by the Globe & Mail's Report on Business magazine. After evaluating hundreds of companies, Fortis was identified as one of only 73 corporations in Canada at the forefront of women in leadership positions.

A Signatory to the 30%  
Club Canada



We recently became a signatory to the 30% Club Canada. The club recognizes that greater diversity leads to better governance and business outcomes and, as a signatory, Fortis commits to meaningful, sustainable gender balance in our leadership.



**Fortis Named Among the  
Best 50 Corporate Citizens  
in Canada**

For a second year in a row, Fortis has been included in Canada's Best 50 Corporate Citizens based on corporate sustainability performance. Each year, Corporate Knights, a specialized media and investment research firm, ranks Canadian companies with annual revenues of more than \$1 billion and each are evaluated on a set of up to 21 environmental social and governance indicators.

In 2020 our ranking improved from 24<sup>th</sup> to 14<sup>th</sup>.

**Fortis Signs BlackNorth Initiative Pledge to End Systemic Anti-Black Racism**

# EXECUTIVE SUCCESSION & COMPENSATION OVERVIEW



# STRONG LEADERSHIP TEAM



**Barry Perry<sup>(1)</sup>**  
President & CEO

Fortis Inc.  
Executives



**Nora Duke**  
EVP, Sustainability &  
CHRO



**David Hutchens<sup>(1)</sup>**  
COO,  
CEO UNS Energy



**James Laurito**  
EVP, Business  
Development & CTO



**Jocelyn Perry**  
EVP, CFO



**Jim Reid**  
EVP, CLO &  
Corporate Secretary



**Gary Smith**  
EVP, Eastern Canadian &  
Caribbean Operations

Utility  
Presidents



**Linda Apsey**  
President & CEO  
ITC



**Roger Dall'Antonia**  
President & CEO  
FortisBC



**Ruth Forbes**  
President & CEO  
FortisTCI



**Charles Freni**  
President & CEO  
Central Hudson



**Susan Gray<sup>(2)</sup>**  
President & COO  
UNS Energy



**Scott Hawkes**  
President & CEO  
FortisOntario



**Richard Hew**  
President & CEO  
Caribbean Utilities



**Gary Murray**  
President & CEO  
Newfoundland Power



**Michael Mosher<sup>(3)</sup>**  
President & CEO  
FortisAlberta



**Jason Roberts**  
President & CEO  
Maritime Electric



**Lynn Young**  
President & CEO  
BECOL

(1) Barry Perry has announced his retirement effective December 31, 2020. David Hutchens will succeed Barry Perry as President and CEO and will join the Board effective January 1, 2021.  
(2) Susan Gray will assume the role of CEO in addition to her current role as President at UNS Energy effective January 1, 2021.  
(3) Janine Sullivan will assume the role of President and CEO effective January 1, 2021, following the retirement of Michael Mosher.

# EXECUTIVE SUCCESSION



Effective succession planning process:

- Annual review of enterprise-wide talent pipeline for key executive roles
- Oversight of talent management programs to identify high potential employees and support long-term succession needs
- 3 of our 4 largest utilities led by female CEOs<sup>(1)</sup>
- Rigorous Board-driven process to select incoming CEO supported by established CEO succession framework
- Smooth transition ongoing from Barry Perry to David Hutchens, an internal selection with deep industry experience and strong company knowledge

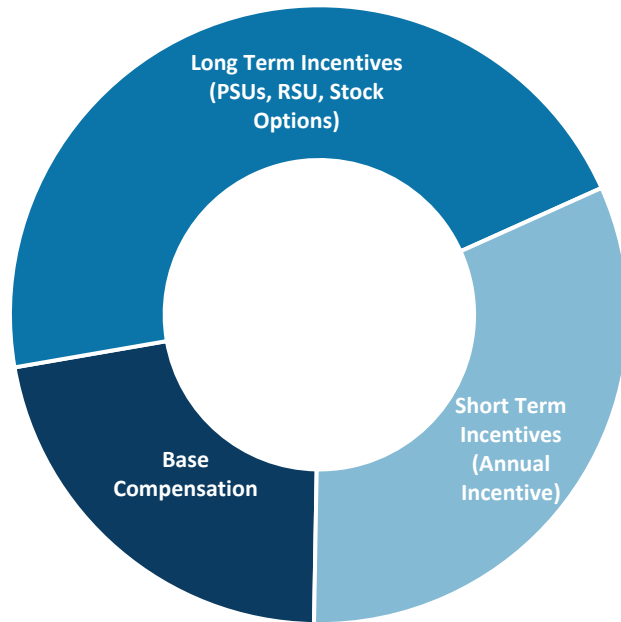
(1) Effective January 1, 2021.

(2) Barry Perry has announced his retirement effective December 31, 2020. David Hutchens will succeed Barry Perry as President and CEO and will join the Board effective January 1, 2021.



# EXECUTIVE COMPENSATION

## TOTAL DIRECT COMPENSATION



- Total direct compensation reviewed annually with external advisors supplemented by a comprehensive review of select and emerging trends on a periodic basis
- Annual setting of incentive pay targets with ongoing monitoring of performance and results
- Regularly scheduled risk assessment of compensation program by external consultant

## Compensation Objectives:

- Fair compensation
- Linked to performance
- Aligned with shareholders

## Annual “Say on Pay” Vote

- >95% over past 5 years

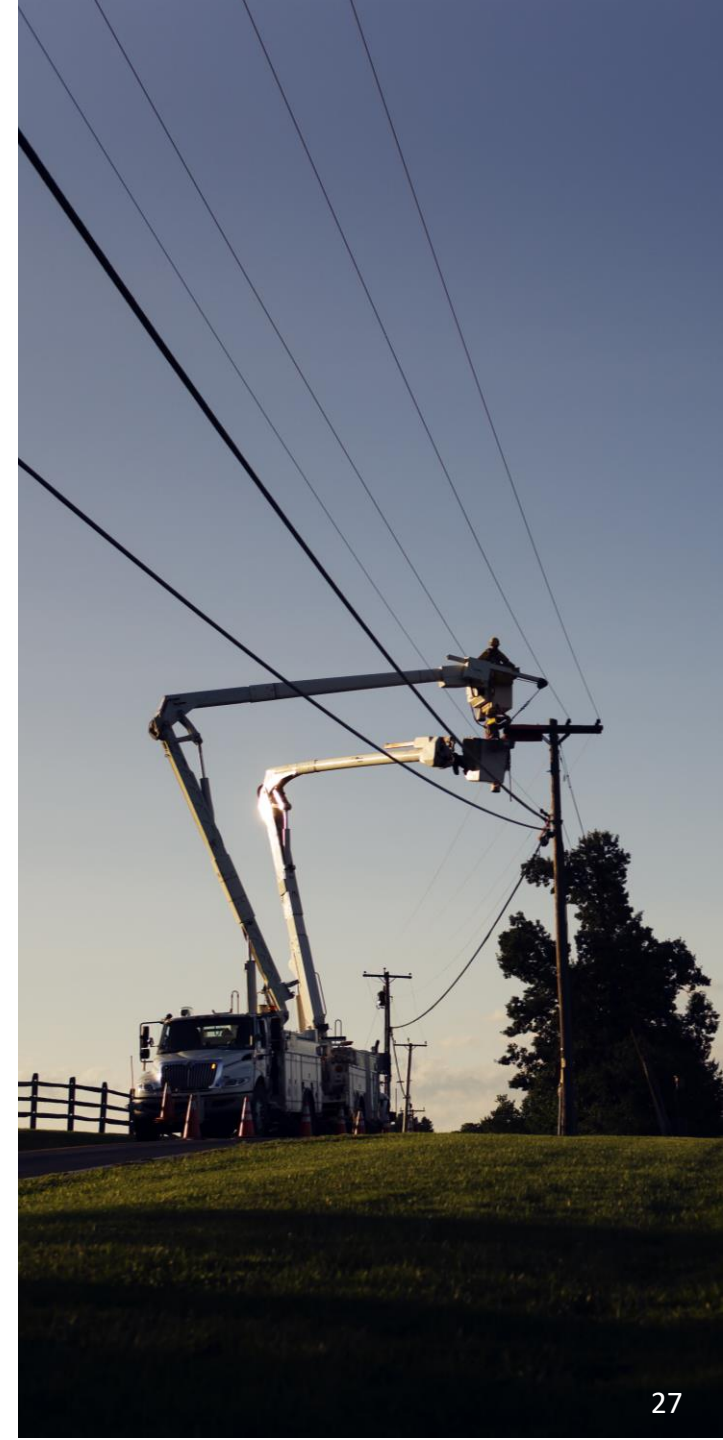


# CONCLUSION



# BOARD SHAREHOLDER ENGAGEMENT SUPPORTIVE OF VALUE PROPOSITION

- ✓ Board aligned on strategy
- ✓ Strong governance model
- ✓ Receptive to shareholders
- ✓ Committed to continuously improving ESG
- ✓ Strong Executive Team
- ✓ Well-run utilities
- ✓ Regulatory and geographic diversity
- ✓ Strong growth profile
- ✓ Strategically positioned to navigate through COVID-19
- ✓ 6% dividend guidance



# STAKEHOLDER FEEDBACK



QUESTIONS

