



## AUDIT COMMITTEE MANDATE

January 1, 2023

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### 1.0 PURPOSE AND AUTHORITY

- 1.1 The purpose of the Committee is to advise and assist the Board in fulfilling its oversight responsibilities relating to, among other things:
- (a) the integrity of the Corporation's financial statements, financial disclosures and internal controls over financial reporting and disclosure controls and procedures;
  - (b) the Corporation's compliance with related legal and regulatory requirements;
  - (c) the qualifications, independence and performance of the Independent Auditor and Internal Auditor, together with the compensation of the Independent Auditor;
  - (d) the Corporation's ERM Program and the management and mitigation of significant risks identified thereunder;
  - (e) the related policies of the Corporation set out herein; and
  - (f) other matters set out herein or otherwise delegated to the Committee by the Board.
- 1.2 Consistent with this purpose, the Committee shall encourage continuous improvement of, and foster adherence to, the Corporation's policies, procedures and practices at all levels. The Committee shall 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) have unrestricted access to information, management and employees and books and records of the Corporation and its affiliates; and (iii) directly access and communicate with the Independent Auditor and Internal Auditor.

## 2.0 DEFINITIONS

### 2.1 In this Mandate:

- (a) "**Board**" means the board of directors of the Corporation;
- (b) "**Chair**" means the Chair of the Committee;
- (c) "**Committee**" means the audit committee of the Board;
- (d) "**Core Audit Services**" means services necessary to: (i) audit the Corporation's annual consolidated or non-consolidated financial statements; (ii) review the Corporation's condensed consolidated interim financial statements; and (iii) audit internal controls over financial reporting in accordance with the requirements of all applicable laws, regulations and professional standards;
- (e) "**Corporation**" means Fortis Inc.;
- (f) "**CPAB**" means the Canadian Public Accountability Board or its successor;
- (g) "**Director**" means a member of the Board;
- (h) "**ERM Program**" means the Corporation's Enterprise Risk Management Program that incorporates an effective risk management framework to identify, evaluate, manage, monitor and communicate key corporate risks;
- (i) "**Financial Expert**" means an "audit committee financial expert" as defined in SEC Regulation S-K;
- (j) "**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 breadth and complexity of the issues that can reasonably be expected to be present in the Corporation's financial statements;
- (k) "**Governance and Sustainability Committee**" means the governance and sustainability committee of the Board;
- (l) "**Independent**" means, in the context of a Member and in accordance with all applicable laws and stock exchange requirements, being 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;

- (m) "**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;
- (n) "**Internal Auditor**" means the person(s) employed or engaged by the Corporation to perform the internal audit function of the Corporation;
- (o) "**Management**" means the senior officers of the Corporation;
- (p) "**Mandate**" means this mandate of the Committee;
- (q) "**MD&A**" means the Corporation's management discussion and analysis prepared in accordance with the requirements of National Instrument 51-102 and the SEC in respect of the Corporation's annual consolidated and interim condensed consolidated financial statements;
- (r) "**Member**" means a Director appointed to the Committee;
- (s) "**NYSE**" means the New York Stock Exchange;
- (t) "**PCAOB**" means the Public Company Accounting Oversight Board or its successor;
- (u) "**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 and all applicable laws and stock exchange requirements which include, without limitation, transactions between: (i) executive officers, directors, principal shareholders or their immediate family members; and (ii) the Corporation or any of its subsidiaries; and
- (v) "**SEC**" means the United States Securities and Exchange Commission.

### 3.0 ESTABLISHMENT AND COMPOSITION OF COMMITTEE

- 3.1 The Committee shall 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 shall appoint to the Committee at least one (1) Director who is a Financial Expert.

- 3.2 Members shall be appointed annually by the Board, or as otherwise necessary, provided, however, that each Director serving as a Member shall continue to serve until such Member resigns, is removed or has a successor 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 shall 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 or replaced by a resolution of the Board.
- 3.5 No Member shall serve on more than three (3) public company audit committees (inclusive of the Corporation) without the prior approval of the Board.
- 3.6 The Board shall appoint a Chair on the recommendation of the Corporation's Governance and Sustainability Committee, or such other committee as the Board may authorize. The Chair shall continue in that role until a successor is appointed. The Board shall periodically rotate the Chair and shall make reasonable efforts to rotate the Chair every four (4) years.

#### **4.0 COMMITTEE MEETINGS**

- 4.1 The Committee shall meet at least quarterly and such other times as it deems appropriate. Meetings of the Committee shall be held at the call of: (i) the Chair; (ii) any two Members; or (iii) the Independent Auditor.
- 4.2 The Chief Executive Officer, the Chief Financial Officer, the Independent Auditor and the Internal Auditor shall receive notice of and, unless otherwise determined by the Chair, shall be entitled to 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 unaudited condensed consolidated interim financial statements are reviewed.
- 4.3 A quorum at any meeting of the Committee shall be three (3) Members.
- 4.4 Each Member shall have the right to vote on matters that come before the Committee.

- 4.5 Matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee where such matter is considered. Actions of the Committee may also be taken by instruments in writing signed by all of the Members.
- 4.6 The Chair shall act as chair of all meetings of the Committee at which the Chair attends, otherwise the Members present at the meeting shall appoint one of their number to act as chair of the meeting.
- 4.7 Unless otherwise determined by the Chair, the Corporate Secretary of the Corporation shall act as secretary of all meetings of the Committee.
- 4.8 The Committee shall 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. The Committee shall conduct *in camera* sessions without Management present at each meeting of the Committee.
- 4.9 The Committee may invite any Directors, officers or employees of the Corporation or any other person to attend the meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.
- 4.10 Subject to section 5.4, the Committee may delegate authority to individual Members or subcommittees, if deemed appropriate.

## **5.0 DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

### **A. Independent Auditor**

- 5.1 In consultation and coordination with the subsidiary audit committees, the Committee shall be directly responsible for the selection and appointment (through a recommendation to the Board for the appointment by the shareholders), compensation and retention of the Independent Auditor.
- 5.2 The Committee shall 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 shall report directly to the Committee and the Committee has the authority to communicate directly with the Independent Auditor.

- 5.3 The Committee shall oversee the resolution of any disagreements between Management and the Independent Auditor. The Committee shall 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 shall 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 shall 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 and all applicable laws and stock exchange requirements and any other applicable regulations and professional standards. The Committee shall 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 applicable requirements and interpretative guidance of SEC Regulation S-X and any other applicable regulations and professional standards. The Committee shall discuss any potential independence issues with the Board and recommend any action that the Committee deems appropriate.
- 5.6 The Committee shall review and evaluate the qualifications, independence and performance of the Independent Auditor and its lead engagement partner. Without limiting the foregoing, the Committee shall:
- (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 processes 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 (5) years with respect to independent audits carried out by the Independent Auditor, and any steps taken to address such issues.

The Committee shall discuss any material issues identified with the Board and recommend any action that the Committee deems appropriate.

- 5.7 The Committee shall 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 shall 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.

## **B. Financial Reporting**

- 5.9 In consultation with Management, the Independent Auditor and the Internal Auditor, the Committee shall 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 shall receive and review:
  - (a) reports regarding: (i) critical accounting estimates, policies and practices; (ii) goodwill impairment testing; (iii) derivatives and hedges; (iv) any reserves, accruals, provisions and estimates that may have a material effect on the Corporation's financial statements; (v) any *pro forma*, adjusted or restated financial information, forecasts, or projections; and (vii) the effect of regulatory and accounting initiatives, as well as off-balance sheet arrangements, on the Corporation's financial statements;

- (b) analyses by Management and the Independent Auditor regarding significant financial reporting issues and judgments 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 auditing and accounting principles and presentations, including significant changes in the selection or application of auditing and accounting principles; and (iii) major issues regarding the adequacy of the Corporation's internal controls over financial reporting and disclosure controls and procedures and any specific audit steps adopted in light of material weaknesses or significant deficiencies in such controls; and
  - (c) other material written communication between Management and the Independent Auditor.
- 5.10 The Committee shall, 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 unaudited condensed consolidated interim 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 condensed consolidated interim 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 shall, 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 releases or other news releases.
- 5.12 The Committee shall 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 and disclosure controls and procedures, MD&As, earnings releases, and reports 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 reports on Form 40-F. The Committee shall approve the external release of the Corporation's unaudited condensed consolidated interim financial statements and related interim MD&As and earnings releases on behalf of the Board.
- 5.13 The Committee shall, 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 future oriented financial information, financial outlooks, and earnings or 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 disclosure documents to be released publicly by the Corporation containing or derived from financial information.

- 5.14 The Committee shall review, 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 alleged fraud involving Management or other employees.
- 5.15 The Committee shall use reasonable efforts to satisfy itself as to the appropriateness of the Corporation's material financing, capital and tax structures.
- 5.16 The Committee shall review, discuss with Management and with others as 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 shall 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 laws.
- 5.18 The Committee shall review, discuss with Management and with others as it deems appropriate, and approve all Related Party Transactions and the disclosure thereof.

**C. Internal Audit**

- 5.19 The Committee shall be responsible for the appointment and 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 shall review and discuss with the Internal Auditor and others as it deems appropriate, and approve the annual internal audit plan.
- 5.21 The Committee shall review and discuss with Management, the Internal Auditor and others as it deems appropriate, the quarterly internal audit reports prepared for the Committee (which shall incorporate all significant activities of the internal audit function for the quarter) and any Management responses thereto.
- 5.22 The Committee shall 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 shall periodically discuss with the Internal Auditor the internal audit function's responsibility, budget, staffing and compensation.
- 5.24 The Committee shall satisfy itself as to the performance of the internal audit function and the integrity and qualifications of its staff.

**D. Risk Management and Other**

- 5.25 The Committee shall be responsible for the oversight of the ERM Program and shall report any actions or findings of the ERM Program to the Board.
- 5.26 The Committee shall review and discuss with Management, the Internal Auditor and others as it deems appropriate Management's report regarding identifying, assessing, managing and mitigating significant risks and related matters identified pursuant to the ERM Program.
- 5.27 The Committee shall satisfy itself as to the appropriateness of the Corporation's internal controls and processes associated with the release of any sustainability disclosures.
- 5.28 The Committee shall review and discuss with Management and others as it deems appropriate the quarterly report prepared by Management regarding significant litigation and other material legal matters that could have a significant impact on the Corporation or its financial statements.
- 5.29 The Committee shall be responsible for the oversight of the Corporation's insurance programs, any renewals or replacements thereof, including in respect of directors' and officers' insurance and indemnification of Directors.

**E. Policies and Mandate**

- 5.30 The Committee is responsible for the oversight of the following policies:
  - (a) Policy on Reporting Allegations of Suspected Improper Conduct and Wrongdoing (Speak Up Policy), 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) Guidelines for Hiring Employees or Former Employees of the Independent Auditor;
  - (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.

- 5.31 The Committee shall periodically review this Mandate and the policies in Section 5.30 and recommend any necessary amendments to the Governance and Sustainability Committee for consideration and recommendation to the Board for approval, as deemed appropriate.

## **6.0 REPORTING**

- 6.1 The Chair, or another designated Member, shall report to the Board at each regular meeting on those matters that were dealt with by the Committee since the last regular meeting of the Board.

## **7.0 REMUNERATION OF MEMBERS**

- 7.1 Members and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time, having considered the recommendation of the Governance and Sustainability Committee.

## **8.0 GENERAL**

- 8.1 This Mandate shall be posted on the Corporation's corporate website at [www.fortisinc.com](http://www.fortisinc.com).
- 8.2 The Committee shall annually review its own effectiveness and performance.
- 8.3 The Committee shall perform any other activities consistent with this Mandate, the Corporation's by-laws and applicable laws, that the Board or Committee determines are necessary or appropriate.
- 8.4 The Committee may, in its discretion and in circumstances that it considers appropriate, obtain advice and assistance from outside legal, accounting and other advisors and approve the engagement by the Committee or any Member of outside advisors or persons having special expertise, all at the expense of the Corporation. The Corporation shall provide appropriate compensation, as determined by the Committee, for 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 and responsibilities.

- 8.5 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 reporting, internal controls over financial reporting and disclosure controls and processes 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 members of the Committee or the Board under applicable laws.