



NOTICE TO SHAREHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
15 MAY 2002
HOLIDAY INN ST. JOHN'S
ST. JOHN'S, NEWFOUNDLAND AND LABRADOR**



NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders of FORTIS INC. (the "Corporation") will be held in Salon A, Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland and Labrador, on Wednesday, 15 May 2002 at the hour of 11:00 a.m. (St. John's time) for the following purposes:

1. receive the consolidated financial statements of the Corporation for its financial year ended 31 December 2001, together with the Report of the Auditors thereon;
2. to elect directors;
3. to appoint auditors and to authorize the directors to fix the auditors' remuneration;
4. to consider and, if thought fit, to pass, a resolution approving the 2002 Stock Option Plan in the form of Schedule "A" to the Management Information Circular dated as of 22 March 2002; and
5. to transact such other business as may properly be brought before the meeting or any adjournment or adjournments thereof.

DATED at St. John's, Newfoundland and Labrador 22 March 2002

By Order of the Board

"signed R. W. McCabe"

Ronald W. McCabe
General Counsel and
Corporate Secretary

NOTES

1. Shareholders who are unable to be present in person at the meeting are requested to sign and return the accompanying form of proxy in the envelope provided for that purpose.
2. Only holders of common shares of record at the close of business on 28 March 2002 will be entitled to vote at the meeting, except to the extent that a holder of record has transferred any of such shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the meeting that the transferee's name be included in the list of shareholders eligible to vote at the meeting, in which case such shareholder shall be entitled to vote such common shares at the meeting.
3. A shareholder desiring to appoint another representative (who need not be a shareholder of the Corporation) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of the Corporation or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario by 5:00 p.m. (Toronto time) on 14 May 2002, or with the Chair of the meeting on the day of the meeting or any adjournment or postponement thereof.



MANAGEMENT INFORMATION CIRCULAR

PROXY SOLICITATION

This Management Information Circular is furnished in connection with the solicitation of proxies by the Management of FORTIS INC. (the "Corporation") for use at the Annual and Special Meeting of Shareholders of the Corporation to be held in Salon A, Holiday Inn St. John's, 180 Portugal Cove Road, St. John's, Newfoundland and Labrador on Wednesday, 15 May 2002 at the hour of 11:00 a.m. (St. John's time), and at any adjournment(s) or postponement(s) thereof, for the purposes set out in the foregoing notice of meeting. This solicitation is made by the Management of the Corporation. It is expected that the solicitation will primarily be by mail but proxies may also be solicited personally, by telephone, email or facsimile by directors, officers and employees of the Corporation or by such agents as the Corporation may appoint. The Corporation has retained Georgeson Shareholder Communications Canada, Inc. ("GSCC") in connection with the solicitation of proxies and other advisory services at a cost of up to \$30,000 plus \$6.00 per inbound/outbound contact with shareholders and reimbursement of GSCC's disbursements. The cost of solicitation will be borne by the Corporation. Except as otherwise stated, the information contained herein is given as of 22 March 2002.

VOTING OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Corporation and have consented to act as proxy for the shareholders who so appoint them. **A shareholder desiring to appoint another representative (who need not be a shareholder of the Corporation) may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of the Corporation or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario by 5:00 p.m. (Toronto time) on 14 May 2002, or with the Chair of the meeting on the day of the meeting or any adjournment or postponement thereof.**

The form of proxy affords the shareholder an opportunity to specify that the shares registered in the shareholder's name will be (a) voted, or withheld from voting, in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors, and (b) voted for or against the approval of the Resolution to approve and ratify the 2002 Stock Option Plan.

On any ballot that may be called for, the shares represented by proxies in favour of Management nominees will be (a) voted or withheld from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors, and (b) voted for or against the approval of the Resolution to approve and ratify the 2002 Stock Option Plan in accordance with the specifications made by each shareholder.

If a proxy does not specify how a proxy nominee is to vote in respect of the matters set forth in the proxy, the shares represented by proxies in favour of Management nominees will be voted FOR: the election of the directors listed hereafter; the appointment of auditors named herein and the authorization of the directors to fix the remuneration of the auditors; and the approval of the Resolution to approve and ratify the 2002 Stock Option Plan.

The form of proxy confers discretionary authority on the proxy nominee with respect to amendments or variations of matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting or any adjournment(s) or postponement(s) thereof. Management knows of no such amendments, variations or matters. However, if any such amendment, variation or matter should properly come before the meeting, the shares represented by proxies in favour of the Management nominees will be voted on such matters in accordance with the best judgment of the proxy nominee.

REVOCAION OF PROXIES

Proxies given by shareholders for use at the meeting may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer thereof duly authorized. Where shares are held in joint or common ownership of any kind, the signature of each owner is required on the form of revocation. A form of revocation must be deposited either at the registered office of the Corporation or the principal office of Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario at any time not later than 5:00 p.m. (Toronto time) on 14 May 2002, or with the Chair of the meeting on the day of the meeting or any adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Corporation consists of an unlimited number of Common Shares, an unlimited number of First Preference Shares, issuable in series, and an unlimited number of Second Preference Shares, issuable in series, in each case without nominal or par value. As of 22 March 2002, 15,088,248 Common Shares, 2,000,000 5.95% Fixed Rate Cumulative Redeemable Retractable First Preference Shares, Series B and no Second Preference Shares were issued and outstanding. Each Common Share carries one vote in respect of each matter to be voted upon at the meeting. None of the First Preference Shares currently carries the right to vote.

Only holders of Common Shares of record at the close of business on 28 March 2002 will be entitled to vote at the meeting except to the extent that a holder of record has transferred shares after that date and the transferee of such shares establishes proper ownership and requests not later than 10 days before the meeting that the transferee's name be included in the list of shareholders entitled to vote at the meeting.

To the best of the knowledge of the directors and officers of the Corporation, no shareholder beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the issued and outstanding Common Shares of the Corporation.

MATTERS FOR CONSIDERATION OF SHAREHOLDERS
ELECTION OF DIRECTORS

The shareholders of the Corporation will be asked to elect eight directors for the ensuing year. The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the meeting. Each person whose name follows is proposed to be elected as a director of the Corporation to serve until the next annual meeting of shareholders or until his or her successor is elected or appointed. Unless the authority to do so is withheld, proxies in favour of Management will be voted for the election of such proposed nominees as directors. If any of the proposed nominees should for any reason be unable to serve as a director of the Corporation, the persons named in the enclosed form of proxy reserve the right to nominate and vote for another nominee in their discretion unless the shareholder has specified in the proxy that the shares are to be withheld from voting in the election of directors. The Corporation does not have an executive committee of its Board of Directors.

<u>Name</u>	<u>Present principal occupation and position with the Corporation</u>	<u>Director since</u>	<u>Common Shares of the Corporation and its subsidiaries beneficially owned or over which control or direction is exercised⁽³⁾</u>
ANGUS A. BRUNEAU ⁽¹⁾⁽²⁾ St. John's, Newfoundland	Chair of the Corporation	1987	11,495
BRUCE CHAFE ⁽¹⁾ St. John's, Newfoundland	Corporate Director	1997	1,121
DARRYL D. FRY ⁽²⁾ Osprey, Florida	Corporate Director	1998	7,000
GEOFFREY F. HYLAND ⁽¹⁾ Alton, Ontario	President and Chief Executive Officer ShawCor Ltd. (energy services)	2001	1,000
LINDA L. INKPEN ⁽²⁾ St. John's, Newfoundland	Medical Practitioner	1994	1,120
H. STANLEY MARSHALL St. John's, Newfoundland	President and Chief Executive Officer of the Corporation	1995	25,910
JOHN S. McCALLUM ⁽¹⁾ Winnipeg, Manitoba	Professor of Finance University of Manitoba (educational institution)	2001	1,000
ROY P. RIDEOUT ⁽²⁾ Toronto, Ontario	Chairman and Chief Executive Officer Clarke Inc. (transportation)	2001	2,000

(1) These individuals serve on the Audit Committee.

(2) These individuals serve on the Governance and Human Resources Committee.

(3) The respective nominees have furnished the information relating to share ownership.

The above named nominees, other than Dr. McCallum, are directors who were elected to their present term of office by a vote of shareholders at the 2001 Annual and Special Meeting of Shareholders of the Corporation.

Dr. McCallum was appointed to the Board on 10 July 2001 to fill the vacancy created by the resignation of Mr. David Scales. Dr. McCallum is a Professor of Finance in the Faculty of Management of the University of Manitoba in Winnipeg and has held this position since 1973.

APPOINTMENT OF AUDITORS AND AUTHORIZATION OF THE DIRECTORS TO FIX THE AUDITORS' REMUNERATION

Deloitte & Touche LLP were appointed auditors of the Corporation at the 2001 Annual and Special Meeting of Shareholders. The Directors and Management propose to nominate Deloitte & Touche LLP as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. The directors, through the Audit Committee, negotiate with the auditors of the Corporation, on an arm's length basis, in determining the fees to be paid to the auditors. Such fees have been based upon the complexity of the matters dealt with and the time expended by the auditors in providing services to the Corporation. Management believes that the fees negotiated in the past with the auditors of the Corporation have been reasonable in the circumstances and would be comparable to fees charged by other auditors providing similar service. The shares represented by proxies in favour of Management nominees will be voted for the appointment of Deloitte & Touche LLP as auditors of the Corporation and the authorization of the directors to fix the auditors' remuneration unless the shareholder has specified in the proxy that the shares are to be withheld from voting in respect of the appointment of auditors and such authorization.

APPROVAL OF 2002 STOCK OPTION PLAN

The Corporation adopted an Executive Stock Option Plan and Directors' Stock Option Plan in 1988 and 1998, respectively (the "Former Plans"). The Executive Stock Option Plan is administered by the Governance and Human Resources Committee (the "Committee") and the Directors' Stock Option Plan is administered by the board of directors of the Corporation (the "Board"). As at 22 March 2002, a total of 362,306 options granted under the Former Plans to directors, officers and key employees remained outstanding. These options expire at various dates not later than 15 May 2011.

The Corporation wishes to adopt a new stock option plan which will provide directors, officers and employees of the Corporation and its subsidiaries with compensation opportunities that will encourage share ownership and enhance the Corporation's ability to attract, retain and motivate key personnel and reward significant performance achievements. In that regard, and with a view to maintaining a stock option plan which is competitive in its terms with those of other public companies, the Board approved a new stock option plan on 7 March 2002 (the "2002 Stock Option Plan"), subject to the approval of the shareholders of the Corporation as well as the approval of the Toronto Stock Exchange (the "TSE") and any other applicable regulatory authority. Notwithstanding the adoption of the 2002 Stock Option Plan, the Corporation will preserve each of the Former Plans which will continue to exist and remain in force as long as any options granted under such Former Plans are outstanding or the term of such options will not have expired or such options will not have been exercised. No consolidation of the options already granted

under either of the Former Plans will be made into the 2002 Stock Option Plan. Upon approval of the 2002 Stock Option Plan, the Corporation will cease to grant options under the Former Plans. Consequently, the Corporation will have for a certain time three stock option plans in force, although all new options to be granted by the Corporation will be granted pursuant to the 2002 Stock Option Plan.

A copy of the 2002 Stock Option Plan is attached as Appendix I to the resolution of the shareholders of the Corporation which is attached hereto as Schedule A.

The principal features of the 2002 Stock Option Plan are as follows:

1. The 2002 Stock Option Plan provides for grants of options to directors, officers and employees of the Corporation and its subsidiaries, including Canadian Niagara Power Company, Limited.
2. The maximum number of Common Shares which the Corporation may reserve and set aside for issue pursuant to the 2002 Stock Option Plan is 980,000. Accordingly, the total number of Common Shares that will be reserved for issuance under the 2002 Stock Option Plan and all other compensation arrangements (including Common Shares which continue to be reserved for issuance upon the exercise of options outstanding pursuant to the Former Plans) will be 1,505,824 representing approximately 9.9% of the Corporation's currently issued and outstanding Common Shares.
3. Upon recommendation of the Committee, the Board will determine the grant of options to directors and the terms of such options. The Committee will determine the grant of options to officers and employees and the terms of such options.
4. Determination of the exercise price of options remains at the discretion of the Committee or Board, as the case may be, provided that the exercise price is not less than the market price of the Common Shares of the Corporation at the time of grant. The market price will be determined as the average of the daily average of the high and low board lot trading prices of the Common Shares of the Corporation on the TSE for the last five trading days immediately preceding the date of grant.
5. No options will be granted under the 2002 Stock Option Plan if, together with any other share compensation arrangement established or maintained by the Corporation, such granting of options could result, at any time, in (a) the issuance to any one insider of the Corporation and such insider's associates, within a one-year period, of a number of Common Shares exceeding 5% of the issued and outstanding Common Shares and (b) the number of Common Shares reserved for issuance under options granted to any one eligible person exceeding 5% of the issued and outstanding Common Shares.
6. Options granted will have a maximum term of 10 years from the date of grant.
7. Options may not be transferred, assigned or otherwise encumbered, unless they are transferred under the succession laws applicable at the time of death of the optionee.
8. Vested options will expire no later than three years after the termination of an optionee's employment if the optionee is an officer or employee and no later than one year after the date an optionee who is a director ceases to be a director of the Corporation.

9. In the event (a) a general offer to purchase all of the issued Common Shares is made by a third party, (b) the Corporation proposes to sell all or substantially all of its assets or to merge or amalgamate with any other corporation (other than a subsidiary of the Corporation) or (c) there is a change in the composition of the Board such that the directors of the Corporation in office immediately prior to such change do not constitute a majority of the Board, each option may be exercised (regardless of whether such option has vested) by the optionee at any time up to and including the earlier of (i) the expiry time of a general offer to purchase referred to in (a) above, and (ii) the date that is 30 days immediately succeeding the date of the completion of a transaction referred in (b) or (c) above, and the Corporation may require the acceleration of the time for the exercise of the Option and of the time for the fulfilment of any conditions or restrictions on such exercise.
10. The Corporation may in its sole discretion lend money or provide guarantees or other support agreements to assist an optionee (other than a director who is not an officer) to fund all or part of the option price for the Common Shares being purchased pursuant to an option. The term of any such loan or guarantee shall not be greater than 10 years following the date of the grant of the option. In connection with any such loan made or guarantee provided by the Corporation, an optionee shall pledge as security to the Corporation the Common Shares purchased with the proceeds of such loan or loan guarantee, and the sole recourse of the Corporation against such optionee shall be with respect to such pledged Common Shares.
11. Appropriate adjustments in the number of Common Shares subject to the 2002 Stock Option Plan, and as regards options granted, or to be granted, in the number of Common Shares which are subject to options and in the option price, will be made by the Committee in its discretion to give effect to adjustments in the number of Common Shares resulting from subdivisions, consolidations or reclassifications of the Common Shares or other relevant changes in the capital stock of the Corporation.
12. The Board may, subject to any required regulatory approval, amend or discontinue the 2002 Stock Option Plan at any time, provided however, that no such amendment may materially and adversely affect any option rights previously granted to an optionee under the Plan without the written consent of the optionee, except to the extent required by law or by any regulatory authority. However, any amendment of the 2002 Stock Option Plan that would (a) materially increase or decrease the benefits under the 2002 stock Option Plan, (b) materially increase or decrease the number of Common Shares that may be issued pursuant to options granted under the 2002 Stock Option Plan (other than as a result of a change in the capital stock referred to in paragraph 11 above), or (c) materially modify the requirements as to eligibility for participation in the 2002 Stock Option Plan shall be effective only if such amendment is approved by the shareholders of the Corporation within twelve months before or after the date on which such amendment is adopted by the Board and, if required, is also approved by any applicable regulatory authority.

According to applicable regulatory requirements, the 2002 Stock Option Plan must be submitted for approval by the shareholders of the Corporation and applicable regulatory authorities. To be adopted the 2002 Stock Option Plan must be approved by a majority of the votes cast by shareholders who vote in respect of the resolution at the meeting. The text of the resolution approving the 2002 Stock Option Plan, together with a copy of the 2002 Stock Option Plan is attached hereto as Schedule "A". The Board recommends to the shareholders of the Corporation that they vote in favour of the adoption and ratification of the 2002 Stock Option Plan.

Unless otherwise specifically instructed, the person named in the enclosed form of proxy will vote IN FAVOUR of the approval and ratification of the 2002 Stock Option Plan.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation earned for services rendered during each of the last three financial years in respect of the Chief Executive Officer of the Corporation and each of the other most highly compensated executive officers of the Corporation (the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Securities Under Options Granted (#)	Long-Term Incentive Plan Payouts (\$)	All Other Compensation ⁽²⁾ (\$)
H. STANLEY MARSHALL President and Chief Executive Officer	2001	440,000	458,486	139,052	28,747	---	2,397
	2000	408,000	242,342	103,465	20,995	69,241	1,456
	1999	373,000	189,298	34,859	15,193	---	1,324
KARL W. SMITH ⁽³⁾ Vice President, Finance and Chief Financial Officer	2001	210,000	121,275	148,888	10,976	---	2,397
	2000	200,000	75,000	29,258	8,576	10,000	1,469
	1999	166,333	44,086	1,992	4,399	--	15,054
RONALD W. McCABE General Counsel and Corporate Secretary	2001	165,000	77,344	31,132	4,312	---	1,709
	2000	150,300	45,090	2,363	5,156	---	691
	1999	135,000	35,100	2,101	3,666	---	628

- (1) Includes the difference between purchase price and market price of Common Shares purchased through the exercise of stock options (see *Aggregate Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values* table), interest benefits and directors' fees from subsidiaries. Perquisites and other personal benefits, securities and property are not disclosed as they did not exceed the minimum disclosure thresholds.
- (2) Represents (i) the dollar value of insurance premiums paid by the Corporation with respect to term life insurance; and (ii) in the case of Mr. Smith, vacation pay paid by Newfoundland Power in 1999 to Mr. Smith pursuant to a policy available to all employees of Newfoundland Power.
- (3) Mr. Smith was appointed Vice President, Finance and Chief Financial Officer of the Corporation on 12 August 1999. Prior to then he was Vice President, Finance and Chief Financial Officer of Newfoundland Power Inc., a subsidiary of the Corporation.

The following table sets forth all grants of stock options to the Named Executive Officers of the Corporation under the Corporation's Executive Stock Option Plan during the financial year ended 31 December 2001.

Option Grants During the Most Recently Completed Financial Year

Name	Securities Under Options Granted (#) Common Shares ⁽¹⁾	% of Total Options Granted to Employees in Financial Year ⁽²⁾	Exercise Price ⁽³⁾ (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant ⁽³⁾ (\$/Security)	Expiration Date
H. STANLEY MARSHALL	28,747	20	38.265	38.265	15 May 2011
KARL W. SMITH	10,976	8	38.265	38.265	15 May 2011
RONALD W. McCABE	4,312	3	38.265	38.265	15 May 2011

(1) Options vest at the rate of 25% per annum commencing 16 May 2002.

(2) Represents percentage of total options granted under the Executive Stock Option Plan.

(3) Exercise price and market value are the average of the daily high and low board lot trading prices of Common Shares traded on the Toronto Stock Exchange on the five trading days immediately preceding the date of the grant of the option.

The following table sets forth details of all exercises of options by the Named Executive Officers during the financial year ended 31 December 2001 and the financial year-end number and value of unexercised options on an aggregated basis.

Aggregate Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at Financial Year-End (\$) Exercisable/ Unexercisable
H. STANLEY MARSHALL	8,853	69,607	46,601/ 28,747	540,921/ 249,668
KARL W. SMITH	8,576	107,543	7,815/ 10,976	48,929/ 95,327
RONALD W. McCABE	3,021	30,814	11,669/ 4,312	132,553/ 37,450

PENSION ARRANGEMENTS

Mr. Marshall participates in a defined benefit pension plan and is party to an agreement with the Corporation that provides for supplemental payments upon retirement. Retirement compensation under both the defined benefit plan and the supplemental agreement are payable for life and reduced payments are made to a surviving spouse upon his death. The supplemental payment agreement between the Corporation and Mr. Marshall entitles him to receive, in effect, an annual payment following retirement of the difference between his total entitlement under the applicable defined benefit plan and 70% of his highest three-year average annual base salary and annual cash bonus. Mr. Marshall is entitled to retire with full pension benefits on 1 May 2006.

Messrs. Smith and McCabe do not participate in a defined benefit pension plan. In 2001, the Corporation contributed an amount equal to 6.5% of annual base salary, which was matched by the named officers, up to the maximum RRSP contribution limit of \$13,500 as allowed by the Canada Customs and Revenue Agency, to a self-directed registered retirement savings plan for each of Messrs. Smith and McCabe. These officers participate in the non-contributory Supplemental Employee Retirement Plan of the Corporation ("SERP"). The SERP provides for the contribution by the Corporation of an amount equal to 13% of the annual base salary and annual cash bonus of the officer in excess of the allowed maximum for contribution to an RRSP to an account which will accrue interest equal to the rate of a 10-year Government of Canada Bond plus a premium of 1% to 3% dependent upon years of service. At the time of retirement, the funds accumulated under the SERP may be withdrawn in one lump sum or in equal payments over 10 years.

EMPLOYMENT AGREEMENTS

The Corporation has entered into agreements with Messrs. Marshall, Smith and McCabe which provide, in effect, that in the event the employment of any such individual is terminated by the Corporation, for other than just cause, the Corporation shall pay to such individual an amount equal to three times that individual's then current annual base salary. In addition, the terms of the employment contract between the Corporation and Mr. Marshall provides that he may elect to terminate his service under the agreement at any time within two years of a change in control of the Corporation and the Corporation shall pay to Mr. Marshall an amount equal to three times his then current annual base salary.

REPORT ON EXECUTIVE COMPENSATION

Angus A. Bruneau, Darryl D. Fry, Linda L. Inkpen, and Roy P. Rideout constituted the Governance and Human Resources Committee of the Corporation ("Committee") during 2001. The Committee is charged with the responsibility to review, recommend and administer the compensation policies in respect of the Corporation's executive officers. The Committee's recommendations as to base salary and annual bonus levels are submitted to the Board for approval. The Committee held three meetings during 2001.

The Corporation's executive compensation policies are designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Committee recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executive officers as well as align the compensation level of each executive to that executive's level of responsibility. The Committee

regularly reviews survey data gathered by independent professional compensation consultants in respect of a wide group of Canadian industrial companies.

The major elements of the Corporation's executive compensation program are base salary, a short-term incentive in the form of an annual cash bonus and a long-term incentive in the form of options to purchase shares of the Corporation. Compensation for the Corporation's executive officers involves a significant proportion of pay that is at risk. The annual bonus recognizes corporate performance on an annual basis and is based, in part, on an evaluation of the executive's contribution to the Corporation's performance, and stock options which directly relate a substantial portion of the executive's long-term compensation to share price appreciation realized by the Corporation's shareholders. The Committee believes that this approach best serves the interests of shareholders by ensuring that executive officers are compensated in a manner that advances both the short-term and long-term interests of shareholders. The executive compensation regime is structured in a manner that emphasizes the greater ability of the Chief Executive Officer ("CEO") to affect corporate performance by making a greater portion of the CEO's compensation dependent upon corporate performance.

Base Salary: Base salary levels for the executive officers are established annually in the context of total compensation and by reference to the range of salaries paid generally by Canadian industrial corporations. The Corporation has a policy of paying executives at approximately the median of the salaries paid to executives of comparable Canadian industrial corporations. Executive salaries are reviewed annually by the Committee.

Annual Cash Bonus: Executives of the Corporation participate in a short-term incentive plan that provides for annual cash bonuses. The amount of each bonus is determined by way of an annual assessment of corporate and personal performance and is expressed as a percentage of each executive's annual base salary. The corporate performance component of the short-term incentive plan is determined with reference to the financial performance of the Corporation relative to the annual business plan approved by the Board. Individual performance is assessed against specific goals and targets set annually in respect of each executive. In 2001, the CEO, Chief Financial Officer and the General Counsel had the opportunity to earn a bonus of up to 90%, 60% and 50% of their respective annual base salary (and in the case of the CEO, directors' fees from subsidiaries).

Stock Options: Long-term incentives consist of grants of options under the Corporation's Executive Stock Option Plan ("ESOP"), the purpose of which is to encourage key employees to maximize shareholder value. Under guidelines for the ESOP approved by the Board, each executive may receive one option grant per year. The number of shares granted under option is dependent upon the optionee's salary level. Options, which have been granted prior to 16 May 2001, are exercisable for five years from the date of the option and each executive is entitled to receive a loan for the full purchase price of the shares purchased on the exercise of an option.

Effective 16 May 2001, shareholders of the Corporation approved an amendment of the ESOP to provide that the term of an option granted on or after 16 May 2001 be up to 10 years. The Committee introduced a four-year vesting requirement for options granted on 16 May 2001. In 2001, the Named Executive Officers were granted options entitling them to purchase 44,035 shares in the aggregate at a purchase price of \$38.265 per share. The number and terms of existing options are not considered in determining new stock option grants.

The Committee believes that the Corporation's compensation regime appropriately takes into account the performance of the Corporation and the contribution of the CEO and other executive officers of the Corporation toward that performance.

Report presented by the Governance and Human Resources Committee:

D.D. Fry, Chair

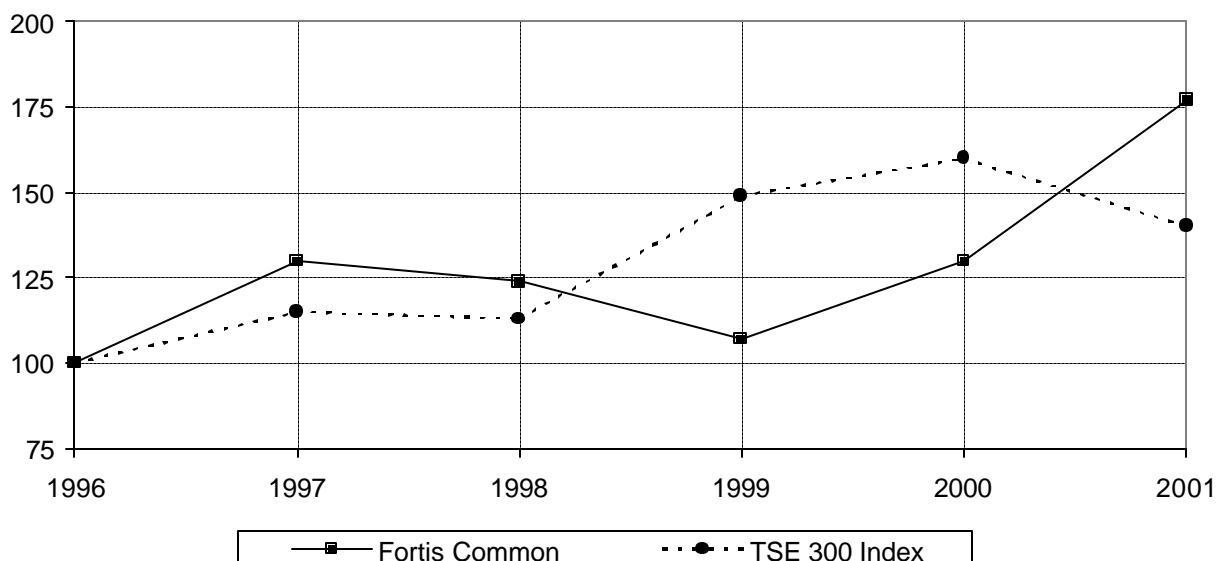
A.A. Bruneau

L.L. Inkpen

R.P. Rideout

PERFORMANCE GRAPH

The following graph shows changes over the past five year period in the value of \$100 (assuming reinvestment of dividends) invested in: (1) the Corporation's Common Shares; and (2) the Toronto Stock Exchange's 300 Total Return Index, as of 31 December 2001.



**Five-Year Cumulative Total Return on \$100 Investment
Fortis Inc. Common Shares and the TSE 300 Index
(31 December 1996 – 31 December 2001)**

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Fortis Common	100	130	124	107	130	177
TSE 300 Index	100	115	113	149	160	140

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Board of Directors and Management of Fortis Inc. acknowledge the critical importance of good corporate governance practices in the proper conduct of the affairs of the Corporation. The Corporation's corporate governance practices comply with the Guidelines for improved corporate governance adopted by the Toronto Stock Exchange. Disclosure of the Corporation's approach to corporate governance is set out in its Statement of Corporate Governance Practices annexed hereto as Schedule B.

The Board discharges its responsibilities directly and through committees. During 2001, the Board held four meetings that were attended by all Directors except one meeting where one Director was unable to participate.

USE OF COMMITTEES

The Board annually appoints from amongst its members two standing committees: the Governance and Human Resources Committee and the Audit Committee. Each committee has a written mandate which sets out in detail the activities or areas of the Corporation's business to which the committee is required to devote its attention. Each committee reviews its mandate on an annual basis and the mandate of the Audit Committee is also considered by the Governance and Human Resources Committee. With minor exceptions, the committees' decision-making powers are limited to the making of recommendations to the full Board. All committees are currently composed of "unrelated" directors.

Governance and Human Resources Committee

The Governance and Human Resources Committee of the Board functions under a mandate that imposes responsibility on the Committee for, among other things:

- (i) developing and recommending to the Board the Corporation's approach to corporate governance issues;
- (ii) proposing to the Board new nominees for election to the Board;
- (iii) carrying out procedures specified by the Board for assessing the effectiveness of the Board as a whole and of each Board committee;
- (iv) reviewing and making recommendations to the Board with respect to the adequacy and form of the compensation of Directors;
- (v) approving the engagement of an outside expert, or experts, by an individual Director at the Corporation's expense;
- (vi) assisting and advising the Board and CEO in appointing senior management;
- (vii) designing and implementing programs for training and developing senior management and planning for succession within the ranks of senior management;

- (viii) overseeing the form and adequacy of the compensation and benefits provided by the Corporation to its senior management; and
- (ix) administering the Executive Stock Option Plan and the Directors' Stock Option Plan.

The Governance and Human Resources Committee is chaired by Darryl D. Fry and its members are Angus A. Bruneau, Linda L. Inkpen and Roy P. Rideout.

Audit Committee

The Audit Committee of the Board functions under a mandate that imposes on the Committee responsibility for, among other things:

- (i) overseeing management reporting and internal controls;
- (ii) communicating regularly and directly with the external auditors concerning matters of interest to the Audit Committee, or the auditors, including the integrity of the Corporation's internal control systems; and
- (iii) reviewing quarterly unaudited and annual audited financial statements to gain reasonable assurance that the statements are accurate and complete.

The Audit Committee is chaired by Bruce Chafe and its members are Angus A. Bruneau, Geoffrey F. Hyland and John S. McCallum.

In general, the Board relies on the Audit Committee to ensure that the Corporation maintains the systems needed to manage the Corporation's businesses effectively and to generate reliable financial information required by the Board to discharge its responsibilities.

Report presented by the Governance and Human Resources Committee:

D.D. Fry, Chair A.A. Bruneau L.L. Inkpen R.P. Rideout

COMPENSATION OF DIRECTORS

During the fiscal year ended 31 December 2001, each director of the Corporation, except the Chair, who was not an employee of the Corporation or any of its subsidiaries, was paid an annual retainer of \$17,000. The Chair was paid an annual retainer of \$60,000. Each director who was not an employee of the Corporation or any of its subsidiaries, was paid a meeting fee of \$1,100 in respect of each meeting of the Board of Directors, or any committee thereof, attended, in person or by telephone, by such director, together with reimbursement of travel expenses. An additional annual retainer of \$5,000 was paid to each chair of a committee of the Board of Directors who was not an employee of the Corporation or any of its subsidiaries.

At the Annual and Special Meeting of Shareholders on 20 May 1998, the shareholders approved the establishment of a Directors' Stock Option Plan for the granting to directors (who are not employees of the Corporation or any of its subsidiaries) of options to purchase Common Shares of the Corporation.

The exercise price for such options is the average of the daily high and low board lot trading prices of Common Shares traded on the Toronto Stock Exchange on the five trading days immediately preceding the date of grant of the option. On 16 May 2001, each director who was not an employee of the Corporation or any of its subsidiaries, was granted an option to purchase 5,000 Common Shares at an exercise price of \$38.265 per share, which options expire on 15 May 2006.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and officers' liability insurance has been purchased for the benefit of the directors and officers of the Corporation. The premium paid by the Corporation for such insurance in 2001 was \$37,000. The insurance coverage obtained under the policy is \$35,000,000 in respect of any one incident, subject to a \$100,000 deductible.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

As at 22 March, 2002, the aggregate indebtedness of all officers, directors and employees to the Corporation, incurred in connection with purchases of securities of the Corporation was \$187,920.

The following table sets forth details of the indebtedness of directors and officers of the Corporation under securities purchase programs.

Indebtedness of Directors, Executive Officers and Senior Officers under Securities Purchase Programs

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2001 (\$)	Amount Outstanding As at 22 March 2002 (\$)	Financially Assisted Securities Purchased During 2001 (#)	Security for Indebtedness
H. STANLEY MARSHALL President and Chief Executive Officer Topsail, Newfoundland	Fortis As Lender	449,800	9,963	8,853	the Securities Purchased
KARL W. SMITH Vice President, Finance and Chief Financial Officer St. John's, Newfoundland	Fortis As Lender	281,245	19,667	8,907	the Securities Purchased
RONALD W. McCABE General Counsel and Corporate Secretary St. John's, Newfoundland	Fortis As Lender	113,656	12,286	3,451	the Securities Purchased

All of the above-noted indebtedness was incurred under the Corporation's Executive Stock Option Plan or the Corporation's Employee Share Purchase Plan.

As at 22 March 2002, there was no indebtedness of the officers, directors and employees of the Corporation incurred other than in connection with the purchase of securities of the Corporation.

GENERAL

Management knows of no matters to come before the meeting other than the business referred to in the notice of meeting. However, if any other matters should be properly brought before the meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the proxy nominee.

CERTIFICATE

The contents and the sending of this Management Information Circular have been approved by the Board of Directors of the Corporation.

St. John's, Newfoundland and Labrador
22 March 2002

“signed R W McCabe”

Ronald W. McCabe
General Counsel and
Corporate Secretary

SCHEDULE A

Resolution of the Shareholders of Fortis Inc.

2002 Stock Option Plan

1. The 2002 Stock Option Plan of the Corporation, a copy of which is attached hereto as Appendix 1, be and is hereby ratified and approved; and
2. any director or officer of the Corporation be and is hereby authorized, for, in the name and on behalf of the Corporation, to do all such acts and things and to execute, whether under the corporate seal of the Corporation or otherwise, and to deliver all such documents and instruments as may be considered necessary or desirable in order to carry out the provisions of this resolution.

APPENDIX I

FORTIS INC. STOCK OPTION PLAN

ARTICLE 1 PURPOSE OF PLAN

- 1.1 The purpose of this stock option plan is to provide directors, officers and employees of Fortis Inc. and its Subsidiaries with compensation opportunities that will encourage share ownership and enhance Fortis Inc.'s ability to attract, retain and motivate key personnel and reward significant performance achievements.

ARTICLE 2 DEFINED TERMS

- 2.1 Where used herein, the following terms shall have the following meanings, respectively:

"**Associate**" has the meaning ascribed thereto in Section 1(1) of the *Securities Act* (Ontario), as the same may be amended from time to time;

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

"**Business Day**" means any day, other than a Saturday, Sunday or statutory or civic holiday in the Provinces of Ontario or Newfoundland and Labrador;

"**Committee**" means the human resources committee appointed by the Board to administer the Plan and consisting of not less than three members of the Board; provided no director of the Corporation who is an employee of the Corporation or a Subsidiary shall be a member of the Committee;

"**Corporation**" means Fortis Inc., a corporation existing under the laws of the Province of Newfoundland and Labrador, and includes any successor corporation thereto;

"**Director**" means a director of the Corporation or of a Subsidiary other than a Director who is an Executive for the purposes of this Plan;

"**Eligible Person**" means any Employee, Executive or director of the Corporation or of a Subsidiary;

"Employee" means an employee of the Corporation or of any Subsidiary;

"Executive" means an officer of the Corporation or of a Subsidiary;

"Insider" means (i) an insider of the Corporation as defined by the *Securities Act* (Ontario), other than a person who falls within that definition solely by virtue of being a director or senior officer of a Subsidiary, and (ii) an Associate of any person who is an Insider by virtue of (i);

"Market Price" at any date in respect of the Shares means the average of the daily average of the high and low board lot trading prices of such Shares on the Toronto Stock Exchange for the last five trading days immediately preceding such date (or, if such Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in their sole discretion;

"Option" means an option to purchase Shares granted under the Plan;

"Option Agreement" means an option agreement entered into pursuant to the Plan;

"Option Price", in respect of an Option, means the price per share at which Shares may be purchased under the Option, as the same may be adjusted from time to time in accordance with Article 9;

"Optionee" means a person to whom an Option has been granted;

"Plan" means the stock option plan of the Corporation, as embodied herein, as the same may be amended or varied from time to time;

"senior officer" has the meaning ascribed thereto in Section 1(1) of the *Securities Act* (Ontario), as the same may be amended from time to time;

"Shares" means the common shares of the Corporation, or, in the event of an adjustment contemplated by Article 9, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment; and

"Subsidiary" means (i) any corporation which is a subsidiary of the Corporation or Canadian Niagara Power Company, Limited and (ii) Canadian Niagara Power Company, Limited; for purposes of the Plan, a body corporate shall be deemed to be a subsidiary of another body corporate if:

- (a) it is controlled by:
 - (i) that other body corporate;
 - (ii) that other body corporate and one or more bodies corporate each of which is controlled by that other body corporate; or
 - (iii) two or more bodies corporate each of which is controlled by that other body corporate; or
- (b) it is a subsidiary of a body corporate that is a subsidiary of that other body corporate.

ARTICLE 3

ADMINISTRATION OF THE PLAN

3.1 Subject to Section 3.3 hereof, the Plan shall be administered by the Committee.

3.2 Subject to Section 3.3 hereof, the Committee shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any Option granted pursuant to the Plan, and any such interpretation, construction or termination made by the Committee shall be final, binding and conclusive for all purposes;
- (c) to determine to which Eligible Persons (other than Directors) Options are granted and to grant Options;
- (d) to determine the number of Shares covered by each Option granted to an Eligible Person (other than a Director) and to reserve such Shares for issuance;
- (e) to determine the Option Price in respect of Options granted to an Eligible Person (other than a Director);
- (f) to determine the time or times when Options will be granted, will vest and will be exercisable in respect of Options granted to an Eligible Person (other than a Director);
- (g) to determine if the Shares which are subject to an Option granted to an Eligible Person (other than a Director) will be subject to any restrictions upon the exercise of such Option;
- (h) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options; and
- (i) to prescribe the terms of the loan referred to in Section 5.8 hereof.

3.3 The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan, and upon recommendation of the Committee:

- (a) to determine to which Directors Options are granted and to grant Options to Directors;
- (b) to determine the number of Shares covered by each Option granted to a Director and to reserve such Shares for issuance;
- (c) to determine the Option Price in respect of Options granted to a Director;
- (d) to determine the time or times when Options will be granted, will vest and will be exercisable in respect of Options granted to a Director;
- (e) to determine if the Shares which are subject to an Option granted to a Director will be subject to any restrictions upon the exercise of such Option; and

- (f) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.

ARTICLE 4
SHARES SUBJECT TO PLAN

- 4.1 Options may be granted in respect of authorized and unissued Shares provided that the aggregate number of Shares reserved for issuance under the Plan, subject to adjustment or increase of such number pursuant to the provisions of Article 9, shall not exceed at any time 980,000. Shares in respect of which Options are not exercised shall be available for subsequent Options under the Plan. No fractional shares may be purchased or issued under the Plan.

ARTICLE 5
ELIGIBILITY, GRANT AND TERMS OF OPTIONS

- 5.1 Options may be granted to Eligible Persons.
- 5.2 Subject to this Article 5, the Committee or the Board, as the case may be, shall determine the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option; provided, however, that if no specific determination is made by the Committee or the Board, as the case may be, with respect to any of the following matters, each Option shall, subject to any other specific provisions of the Plan, provide that the period during which an Option shall be exercisable shall be ten years from the date the Option is granted to the Optionee or such earlier date as may be determined by the Committee or the Board, as the case may be, in respect of termination, death, or retirement of an Optionee and which shall be set forth in the Option Agreement, provided that, in no event (a) in respect of termination, death or retirement of an Optionee who is a Director, shall such date be later than the earlier to occur of (i) the first anniversary of such event and (ii) the original expiry date of the Options granted to such Optionee, and (b) in respect of termination, death and retirement of an Optionee who is an Executive or an Employee, shall such date be later than the earlier to occur of (i) the third anniversary of such event and (ii) the original expiry date of the Options granted to such Optionee.
- 5.3 The Option Price for a Share which is the subject of any Option shall in no circumstances be lower than the Market Price of the Share at the date of the grant of the Option.
- 5.4 In no event may the term of an Option exceed ten years from the date of the grant of the Option.
- 5.5 Notwithstanding any other provision contained in the Plan or any agreement relating to any Options granted under the Plan, no Options shall be granted under the Plan if, together with any other share compensation arrangement established or maintained by the Corporation, such granting of Options could result, at any time, in:
 - (a) the number of Shares reserved for issuance to Insiders exceeding 10% of the issued and outstanding Shares of the Corporation;

- (b) the issuance to Insiders, within a one-year period, of a number of Shares exceeding 10% of the issued and outstanding Shares of the Corporation;
- (c) the issuance to any one Insider and such Insider's Associates, within a one-year period, of a number of Shares exceeding 5% of the issued and outstanding Shares of the Corporation; or
- (d) the number of Shares reserved for issuance under Options granted to any one Eligible Person exceeding 5% of the issued and outstanding Shares of the Corporation.

For the purpose of this Section 5.5, "issued and outstanding Shares" is determined on the basis of the number of Shares that are outstanding immediately prior to the grant of Options to an Insider.

- 5.6 Notwithstanding any other provision contained in the Plan or any agreement relating to any Options granted under the Plan, the aggregate number of Shares reserved for issuance under Options granted to all Directors within a one-year period shall not exceed 1% of the total number of Shares issued and outstanding immediately prior to the grant of Options to a Director.
- 5.7 An Option is personal to the Optionee and is non-assignable. No Option granted hereunder shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Optionee, whether voluntarily or by operation of law, otherwise than by testate succession or the laws of descent and distribution, and any attempt to do so will cause such Option to be null and void. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee and, upon the death of an Optionee, the person to whom the rights shall have passed by testate succession or by the laws of descent and distribution may exercise any Option in accordance with the provisions of Article 6.
- 5.8 Subject to applicable law, the Corporation may in its sole discretion, at any time or from time to time, lend money or provide guarantees or other support agreements to assist an Optionee (other than a Director) to fund all or part of the Option Price for Shares being purchased pursuant to an Option granted under the Plan on such terms and conditions as the Committee may determine, provided that:
- (a) the term to maturity of any loan made or guarantee provided by the Corporation pursuant to this Section 5.8 shall not be greater than ten years following the date of the grant of the Option in respect of which Shares are purchased by an Optionee with the proceeds of such loan or a loan guaranteed by the Corporation; and
 - (b) in connection with the loan made or guarantee provided by the Corporation pursuant to this Section 5.8, an Optionee shall pledge to the Corporation the Shares purchased with the proceeds of such loan or a loan guaranteed by the Corporation as security, and the sole recourse of the Corporation against such Optionee shall be with respect to such pledged Shares.

ARTICLE 6
EXERCISE OF OPTIONS

- 6.1 Subject to the provisions of the Plan and the provisions of the applicable Option, an Option which has vested may be exercised from time to time by delivery to the Corporation at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full of the Option Price of the Shares to be purchased. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.
- 6.2 Except as expressly provided herein, no unvested Options may be exercised.
- 6.3 Notwithstanding any of the provisions contained in the Plan or in any Option, the Corporation's obligation to issue Shares to an Optionee pursuant to the exercise of an Option shall be subject to:
- (a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental authority or stock exchange as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed; and
 - (c) the receipt from the Optionee of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

In connection with the foregoing, the Corporation shall, to the extent necessary, take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any stock exchange on which the Shares are then listed.

- 6.4 In the event the Optionee elects to exercise the Option (or any part thereof), if the Corporation or a Subsidiary shall be required to withhold any amounts by reason of any federal, provincial, state or local tax rules or regulations in respect of the issuance of Shares to the Optionee, the Corporation or the Subsidiary shall be entitled to deduct and withhold such amounts.

ARTICLE 7
MERGERS, DISPOSITIONS AND CERTAIN OTHER TRANSACTIONS

- 7.1 The Corporation shall use its reasonable commercial efforts to give Optionees 21 days' written notice of the effective date of an offer, proposal or change referred to below (or otherwise shall give written notice to Optionees as soon as practicable) if at any time an Option granted pursuant to the Plan remains subject to vesting requirements or otherwise remains unexercised with respect to any portion thereof and:
- (a) a general offer to purchase all of the issued Shares is made by a third party; or

- (b) the Corporation proposes to sell all or substantially all of its assets and undertaking or to merge, amalgamate or otherwise combine with any other corporation or entity (other than one or more Subsidiaries); or
- (c) a change in the composition of the Board such that the Directors of the Corporation in office immediately prior to such change cease to constitute a majority of the Board;

in which case, regardless of whether any vesting requirements would otherwise apply or have been met at such time, each Option may be exercised, as to all or any of the Shares in respect of which such Option has not previously been exercised, by the Optionee at any time up to and including (but not after) the earlier of (i) a date that is 30 days immediately succeeding the date of the completion of a transaction referred to in clause (b) or (c) above and (ii) the expiry time of a general offer to purchase referred to in clause (a) above, and the Corporation may require the acceleration of the time for the exercise of the Option and of the time for the fulfilment of any conditions or restrictions on such exercise.

ARTICLE 8

CERTAIN ADJUSTMENTS

- 8.1 Appropriate adjustments in the number of Shares subject to the Plan, and as regards Options granted or to be granted, in the number of Shares which are subject to Options and in the Option Price, shall be made by the Committee in its discretion to give effect to adjustments in the number of Shares resulting from subdivisions, consolidations or reclassifications of the Shares or other relevant changes in the capital stock of the Corporation. The Committee's determination of such adjustments shall be final, binding and conclusive for all purposes.

ARTICLE 9

AMENDMENT OR DISCONTINUANCE OF PLAN

- 9.1 The Board may, subject to any required regulatory approval, amend or discontinue the Plan at any time, provided however, that no such amendment may materially and adversely affect any Option rights previously granted to an Optionee under the Plan without the written consent of the Optionee or other person then entitled to exercise such Option, except to the extent required by law or by the regulations, rules, by-laws or policies of any regulatory authority or stock exchange. However, any amendment of the Plan that would (a) materially increase or decrease the benefits under the Plan, (b) materially increase or decrease the number of Shares that may be issued pursuant to Options granted under the Plan, or (c) materially modify the requirements as to eligibility for participation in the Plan shall be effective only if such amendment is approved by the shareholders of the Corporation within twelve months before or after the date on which such amendment is adopted by the Board and, if required, is also approved by any securities and stock exchange regulatory authorities having jurisdiction over the Shares.

ARTICLE 10

APPROVAL BY SHAREHOLDERS

- 10.1 The Plan and the exercise of the Options granted under the Plan shall be subject to the condition that if at any time the Corporation shall determine in its sole discretion that it is necessary or desirable to comply with any legal requirements or the requirements of any stock exchange or

other regulatory authority or to obtain any approval or consent from any such stock exchange or other regulatory authority as a condition of, or in connection with, the Plan or the exercise of the Options granted under the Plan or the issue of Shares as a result thereof, then in any such event any Options granted prior to such approval and acceptance shall be conditional upon such compliance having been effected or such approval or consent having been given and no such Options may be exercised unless and until such compliance is effected or until such approval or consent is given on conditions satisfactory to the Corporation in its sole discretion.

- 10.2 Subject to the obtaining of any required regulatory approvals, the Board may amend or discontinue the Plan at any time; provided, however that no such amendment or discontinuance may, without the consent of the Optionee, alter or impair any Option previously granted to an Optionee under the Plan.

ARTICLE 11

MISCELLANEOUS PROVISIONS

- 11.1 The holder of an Option shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until such holder shall have exercised such Option in accordance with the terms of the Plan (including tendering payment in full of the Option Price of the Shares in respect of which the Option is being exercised) and the Corporation shall issue such Shares to the Optionee in accordance with the terms of the Plan in those circumstances.
- 11.2 Nothing in the Plan or any Option shall confer upon any Optionee any right to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any such Subsidiary to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the employment of any Employee Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary or any present or future retirement policy of the Corporation or any Subsidiary, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.
- 11.3 Nothing in the Plan or any Option shall confer upon any Optionee any right to continue providing ongoing services to the Corporation or any entity controlled by the Corporation or effect in any way the right of the Corporation or any such entity to terminate his, her or its contract at any time; nor shall anything in the Plan or any Option be deemed or construed as an agreement, or an expression of intent, on the part of the Corporation or any such entity to extend the time for the performance of the ongoing services beyond the time specified in the contract with the Corporation or any such entity.
- 11.4 Upon the exercise of an Option, the Optionee shall make arrangements satisfactory to the Corporation regarding payment of any federal, provincial or local taxes of any kind required by law to be withheld with respect to the exercise of the Option. In addition, the Corporation shall, to the extent permitted by law, have the right to deduct from any payment of any kind due to the Optionee any federal, provincial or local taxes of any kind required by law to be withheld with respect to the exercise of the Option.

- 11.5 The Plan and the exercise of the Options granted under the Plan shall be subject to the condition that if at any time the Corporation shall determine in its sole discretion that it is necessary or desirable to comply with any legal requirements or the requirements of any stock exchange or other regulatory authority or to obtain any approval or consent from any such stock exchange or other regulatory authority as a condition of, or in connection with, the Plan or the exercise of the Options granted under the Plan or the issue of Shares as a result thereof, then in any such event any Options granted prior to such approval and acceptance shall be conditional upon such compliance having been effected or such approval or consent having been given and no such Options may be exercised unless and until such compliance is effected or until such approval or consent is given on conditions satisfactory to the Corporation in its sole discretion.
- 11.6 The Plan and all Option Agreements entered into pursuant to the Plan shall be governed by the laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable therein.

**SCHEDULE B
FORTIS INC.
STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

<p>Guideline 1 Does Fortis Align? Description of Approach</p>	<p>Board should explicitly assume responsibility for stewardship of the corporation Yes The Board exercises responsibility for stewardship of the Corporation by establishing overall policies and standards and monitoring the performance of the Corporation in relation thereto.</p>
<p>Guideline 1a Does Fortis Align? Description of Approach</p>	<p>Board should specifically assume responsibility for the adoption of a strategic planning process Yes There exists in the Corporation, and each of its subsidiaries, a strategic planning process led by management that culminates annually in management’s presentation to the Board of a five-year strategic and business plan (the “Business Plan”). Following approval of the Business Plan, the Board meets quarterly to monitor and evolve the strategic plan as required from time to time.</p>
<p>Guideline 1b Does Fortis Align? Description of Approach</p>	<p>Board should specifically assume responsibility for the identification of principal business risks, and implementation of risk management systems Yes The Business Plan focuses on the long-term goals of the Corporation, identifies the principal opportunities and business risks confronting the Corporation in pursuit of its goals and sets out the strategies and systems proposed to be employed to capitalize on opportunities and manage risks. The Board engages in an objective and detailed assessment of the Business Plan and requests any changes or additions that the Board considers to be appropriate.</p>

<p>Guideline 1c</p> <p>Does Fortis Align? Description of Approach</p>	<p>Board should specifically assume responsibility for succession planning, including appointing, training and monitoring senior management</p> <p>Yes</p> <p>The Governance and Human Resources Committee conducts an annual review of the management resources of the Corporation and its subsidiaries and of the performance and development of the CEO and each senior officer of the Corporation.</p>
<p>Guideline 1d</p> <p>Does Fortis Align? Description of Approach</p>	<p>Board should specifically assume responsibility for the communications policy</p> <p>Yes</p> <p>The Board has approved a policy in respect of continuous disclosure outlining the Corporation's policy for communications between the Corporation, its stakeholders and the public to ensure effective, timely and non-selective disclosure. The Audit Committee reviews the content of the Corporation's major communications to shareholders and the investing public including quarterly reports while the Board reviews the annual report, proxy circular, annual information form and any prospectuses that may be issued. Information is released through mailings to shareholders, news wire services, the general media and on the Corporation's web site. Communication is controlled by limiting disclosures to those made by the CEO, Chief Financial Officer and Manager of Public and Investor Relations who respond to analyst, institutional and individual shareholder inquires.</p>
<p>Guideline 1e</p> <p>Does Fortis Align? Description of Approach</p>	<p>Board should specifically assume responsibility for the integrity of internal control and management information systems</p> <p>Yes</p> <p>The Board assumes responsibility for the integrity of internal controls and management systems through oversight by the Audit Committee which meets regularly with the external auditor</p>
<p>Guideline 2</p> <p>Does Fortis Align? Description of Approach</p>	<p>Board should be constituted with a majority of individuals who qualify as unrelated directors</p> <p>Yes</p> <p>At the end of 2001 the Board was composed of eight directors. Only Mr. Marshall is a related director in his capacity as President and CEO of the Corporation.</p>

<p>Guideline 3</p> <p>Does Fortis Align? Description of Approach</p>	<p>Disclose for each director whether he or she is unrelated, and how that conclusion was reached</p> <p>Yes</p> <p>Mr. Marshall, President and CEO of the Corporation is not an unrelated director. The Governance and Human Resources Committee conducts an annual review of the composition of the Board and has determined that each director, other than Mr. Marshall, is independent of management, none has any interest, business or other relationship that could, or could reasonably be perceived to, materially interfere with his or her ability to act in the best interests of the Corporation and, none has received remuneration from the Corporation in excess of directors' fees, except for the Chair of the Board who receives pension payments.</p> <ul style="list-style-type: none"> - A.A. Bruneau – unrelated - B. Chafe – unrelated - D.D. Fry – unrelated - G.F. Hyland – unrelated - L.L. Inkpen – unrelated - J.S. McCallum – unrelated - R.P. Rideout – unrelated
<p>Guideline 4</p> <p>Does Fortis Align? Description of Approach</p>	<p>Committee of outside directors responsible for proposing new nominees to the board and assessing directors on ongoing basis</p> <p>Yes</p> <p>The Governance and Human Resources Committee annually identifies director skill and experience needs and oversees a director recruitment search and nomination process leading to recommendations to the Board for consideration and recommendation for election by the shareholders.</p>
<p>Guideline 5</p> <p>Does Fortis Align? Description of Approach</p>	<p>Implement a process for assessing effectiveness of the board as a whole, the committees of the board and the contribution of individual directors</p> <p>Yes</p> <p>The Governance and Human Resources Committee is responsible to review, report and make recommendations to the Board regarding a process for assessing the effectiveness of the Board as a whole and of each committee of the Board. It carries out this responsibility through a confidential survey of each director regarding his or her views on the effectiveness of the Board and the Committees and such surveys are considered by the Committee and Chair of the Board. While this review does not currently consider the contribution of individual directors, the Committee believes that it would disclose any concerns relating to an individual director.</p>
<p>Guideline 6</p> <p>Does Fortis Align? Description of Approach</p>	<p>Provide an orientation and education program for new recruits to the board</p> <p>Yes</p> <p>Each new recruit to the Board is provided with current and historical data pertaining to the operation of the Board and the Corporation and an assessment of current strategic opportunities and issues facing the Corporation. Meetings are conducted with senior officers of the Corporation and its principal subsidiaries. Board meetings are periodically held at the business locations of the Corporation's subsidiaries affording directors the opportunity to observe its operations and meet employees of</p>

	the operating subsidiaries.
Guideline 7 Does Fortis Align? Description of Approach	Examine board size, with a view to reducing the number of directors to facilitate more effective decision making Yes At the end of 2001 the Board was composed of eight directors. This Management Information Circular proposes the nomination of eight directors that is within the size range that the Board considers appropriate for effective decision-making.
Guideline 8 Does Fortis Align? Description of Approach	Review adequacy and form of compensation of directors Yes The Governance and Human Resources Committee reviews the compensation of directors on an annual basis in relation to published surveys and private poll of other corporations and recommends adjustments thereto for consideration by the Board.
Guideline 9 Does Fortis Align? Description of Approach	Committees should generally be composed of outside directors a majority of whom are unrelated Yes Both the Audit and the Governance and Human Resources Committees are composed of unrelated directors.
Guideline 10 Does Fortis Align? Description of Approach	Appoint a committee responsible for corporate governance issues Yes The Governance and Human Resources Committee meets at least semi-annually to consider governance issues in furtherance of its mandate.
Guideline 11 Does Fortis Align? Description of Approach	Develop position descriptions for the Board and CEO defining limits and management's responsibilities Yes The Board, with the assistance of the Governance and Human Resources Committee, has developed written position descriptions for the Board, the Chair of the Board and the CEO which are reviewed on an annual basis.
Guideline 12 Does Fortis Align? Description of Approach	Establish procedures to enable independent functioning of the Board Yes The Chair is an unrelated director who is appointed annually by the Board. The Board and each committee have established a policy reserving time immediately prior to the end of each Board and Committee meeting when the Board or Committee meets without management present.

<p>Guideline 13</p> <p>Does Fortis Align? Description of Approach</p>	<p>Establish an audit committee of outside directors with specifically defined roles and responsibilities</p> <p>Yes</p> <p>The Audit Committee has a written mandate that is reviewed on an annual basis by both the Audit Committee and the Governance and Human Resources Committee. The Audit Committee is composed entirely of unrelated Directors and has direct communication channels with the external auditors.</p>
<p>Guideline 14</p> <p>Does Fortis Align? Description of Approach</p>	<p>Implement a system that enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances</p> <p>Yes</p> <p>The mandates of each of the Audit Committee and the Governance and Human Resources Committee provide a system for appointing outside advisors at the expense of the Corporation in appropriate circumstances</p>