



2018

Nova Scotia Power Incorporated –  
Management Information Circular 2018

Nova Scotia Power Inc.

2018 Annual Meeting of  
Common Shareholders

May 24, 2018

## MANAGEMENT INFORMATION CIRCULAR

(as at March 15, 2018, unless otherwise specified)

### Solicitation of Proxies

This Management Information Circular (the Circular) is furnished in connection with the solicitation of proxies by the management of Nova Scotia Power Incorporated (the Company or NSPI) for use at the Annual Meeting of shareholders of the Company (and any adjournment thereof) (the Meeting) to be held on May 24, 2018 at the time and place and for the purposes set forth in the Notice of Meeting delivered to shareholders. While it is expected that the solicitation will be primarily by mail, proxies may be solicited personally or by telephone by the regular employees of the Company at nominal cost, or by outside parties. All costs of solicitation by management will be borne by the Company.

The contents and the sending of this Circular have been approved by the Directors of the Company.

### Appointment and Revocation of Proxies

The individuals named in the accompanying form of proxy (the Proxy) are officers of the Company. **A SHAREHOLDER WISHING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM OR HER AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE PROXY AND INSERTING THE DESIRED PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE PROXY OR BY COMPLETING ANOTHER FORM OF PROXY.** A proxy will not be valid unless the completed form of Proxy is received by Stephen Aftanas, the Corporate Secretary of the Company, no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time for holding the Meeting or any adjournment thereof, unless the Chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

A shareholder who has given a Proxy may revoke it by an instrument in writing executed by the shareholder or by his or her attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to Stephen Aftanas, the Corporate Secretary of the Company, at any time up to and including the last business day preceding the day of the Meeting, or if adjourned, any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting, prior to the commencement of the Meeting or, if adjourned, any reconvening thereof or in any other manner provided by law. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

### Voting of Proxies

The persons named in the Proxy will vote or withhold from voting the common shares (Common Shares) represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (i) each matter or group of matters identified therein for which a choice is not specified;
- (ii) any amendment to or variation of any matter identified therein; and
- (iii) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.** Management is not currently aware of any other matter that could come before the Meeting.

### Voting Shares and Principal Holders Thereof

Authorized Capital:           1. an unlimited number of Common Shares without nominal or par value;  
  2. an unlimited number of first preferred shares, issuable in series; and  
  3. an unlimited number of second preferred shares, issuable in series.

Issued and Outstanding:   121,370,143 million Common Shares without par value

The date for determining which shareholders are entitled to receive the accompanying Notice of Meeting is March 28, 2018. This is called the "Record Date". Only shareholders of record who hold Common Shares at the close of business on the Record Date will be entitled to vote. Each Common Share owned as of the Record Date entitles the holder to one vote.

On a show of hands, every individual who is present as a shareholder or as a representative of one or more corporate shareholders, or who is holding a Proxy on behalf of a shareholder who is not present at the Meeting, will have one vote, and on a poll every shareholder present in person or represented by a Proxy and every person who is a representative of one or more corporate shareholders, will have one vote for each Common Share registered in his or her name or the name of the corporate shareholder(s) represented by him or her on the list of shareholders, which is available for inspection during normal business hours at the office of the Corporate Secretary of the Company and will be available at the Meeting.

To the best knowledge of the Directors and Executive Officers of the Company, the persons or companies who beneficially own, directly or indirectly or exercise control or direction over shares carrying more than 10 per cent of the voting rights attached to all outstanding Common Shares of the Company are as follows:

Name	Number of Common Shares	Percentage
Emera Incorporated Halifax, Nova Scotia	121,370,143	99.999%

Common shares are the only voting shares at this time. Under Nova Scotia legislation that applies to the Company, no shareholder may own or control, directly or indirectly, more than 15 per cent of the outstanding voting shares to elect Directors other than Emera Incorporated (Emera). Shareholders who are not residents of Canada may not hold, in the aggregate, more than 25 per cent of outstanding voting shares that may ordinarily be cast to elect Directors. These restrictions may be enforced by limiting non-complying shareholders' voting rights, dividend rights and transfer rights. Shareholders may be required, at any time, to furnish a statutory declaration to verify the number of shares held and/or residency in order to ensure compliance with these restrictions. For more information, see *Capital Structure* in NSPI's Annual Information Form which is available under the Company's profile on [www.sedar.com](http://www.sedar.com).

## BUSINESS OF THE MEETING

All resolutions placed before the Meeting must be approved by a majority of the votes cast.

- Financial Statements:** The audited financial statements of the Company for the fiscal year ended December 31, 2017 and the auditors' report thereon will be placed before the Meeting. These financial statements are available at [www.sedar.com](http://www.sedar.com) under NSPI's profile.
- Election of the Board of Directors:** The seven nominees proposed for election as Directors at the 2018 Meeting are identified under *Director Nominees* in this Circular. All nominees, except Mr. Janega, are currently Directors of the Company and have served as Directors from the dates set out under *Director Nominees* below. Each nominee has indicated his or her willingness to serve as a Director. Each Director elected at the Meeting will hold office until the next Annual Meeting of shareholders.

The persons named on the accompanying Proxy intend to vote "for" the seven nominees unless instructed otherwise by shareholders in their Proxy.

- Appointment of Auditors:** The Board pre-approves all services to be supplied by auditors and has reviewed the performance of Ernst & Young LLP, Chartered Accountants, including its independence, relating to the audit.

The persons named on the accompanying Proxy intend to vote "for" the re-appointment of Ernst & Young LLP as auditors of the Company to hold office until the close of the next Annual Meeting of shareholders, unless a shareholder specifies their shares be withheld from voting.

Ernst & Young LLP have been auditors of the Company since August 24, 2012.

- Auditors' Fee:** The Company is incorporated under the Nova Scotia *Companies Act*. Shareholder approval of the authorization of Directors to establish the auditors' fee is required pursuant to the *Act*.

The aggregate fees billed by Ernst & Young LLP for the fiscal years ended December 31, 2017 and 2016, were as follows:

Service Fee	2017	2016
Audit Fees	\$216,300	\$242,300
Audit-related Fees	\$15,500	\$Nil
Tax Fees	\$699	\$4,500
All Other Fees	\$133,000	\$1,208,195
Total	\$365,499	\$1,454,995

Tax fees relate to tax compliance on corporation income tax returns.

The persons named on the accompanying Proxy intend to vote "for" the authorization of Directors to establish the auditors' fee for 2018, unless a shareholder specifies their shares be voted "against" such matter.

## DIRECTOR NOMINEES

The Board of Directors of the Company (the Board of Directors or the Board) presently consists of seven Directors and it is intended to elect seven Directors for the ensuing year.

Directors are elected for a one-year term and the term of the office of each of the present directors expires at the Meeting. The persons named below will be presented for election at the Meeting as management's nominees. Management does not contemplate that any of these nominees will be unable to serve as a director. Each Director elected will hold office until the next Annual Meeting of the shareholders of the Company or until his or her successor is elected or appointed, unless his or her office is earlier vacated in accordance with the provisions of the *Companies Act* or the Articles of Association of the Company.

The following table states the name of each nominee for election as a director, the jurisdiction in which he or she is ordinarily resident, all offices of the Company now held by such nominee, his or her principal occupation, the period of time for which he or she has been a Director of the Company, and the number of Common Shares of the Company beneficially owned by him or her, directly or indirectly, or over which he or she exercises control or direction, as at the Record Date.

Name & Municipality of Residence	Director Since	Principal Occupations During Past Five Years	Securities Held <sup>(1)</sup>
<b>Scott Balfour</b> <sup>(2)</sup> Halifax, Nova Scotia Canada	2016	Chief Operating Officer, Emera Inc. since November 18, 2016. Prior to that Chief Operating Officer, Northeast and Caribbean from March 1, 2016 to November 18, 2016. Executive Vice President and Chief Financial Officer from April 16, 2012 until March 1, 2016.	Mr. Balfour is subject to the Emera Executive Share Ownership Requirements which require that he own shares and/or deferred share units ("DSUs") valued at three times his salary.
<b>Lee Bragg</b> Fall River, Nova Scotia Canada	2010	CEO of Eastlink, a cable and communication company, and its associated communications companies since 1999.	Voting Shares – Nil Emera Shares – 18,850 DSUs – 12,555 Share Ownership Guidelines - 718%
<b>Sandra Greer</b> Dartmouth, Nova Scotia Canada	2014	Former President and CEO of AMIRIX Systems Inc./Vemco (2002-2012), a company engaged in the design, manufacturing and worldwide export of underwater acoustic marine tracking devices. Prior to AMIRIX held various management positions with Bristol Communications and MTT/Aliant now Bell Aliant.	Voting Shares – Nil Emera Shares – Nil DSUs – 7,454 Share Ownership Guidelines – 170%
<b>Karen Hutt</b> Halifax, Nova Scotia Canada	2016	President and CEO since August 2016. From May 2015 to July 2016, Ms. Hutt was Vice President, Mergers and Acquisitions at Emera. From August 2010 to April 2015 Ms. Hutt was the Executive Vice President, Commercial (including appointment to President, Northeast Wind in November 2012), with Emera Energy.	Ms. Hutt is subject to Executive Share Ownership Requirements which require that she own shares and/or DSUs valued at two times her salary.
<b>Raymond Ivany</b> Wolfville, Nova Scotia Canada	2011	Former President and Vice Chancellor of Acadia University from April 2009 to June 2017.	Voting Shares – Nil Emera Shares - Nil DSUs – 18,348 Share Ownership Guidelines - 419%
<b>Richard C. Janega</b>	N/A	President of Emera Newfoundland & Labrador since 2011, and CEO since April 2014. Effective March 31, 2018 Mr. Janega will be Chief Operating Officer, Electric Utilities – Canada, US Northeast and Caribbean, Emera Inc.	Mr. Janega is subject to Executive Share Ownership Requirements which require that he own shares and/or DSUs valued at two times his salary.
<b>J. Mark Rodger</b>	2018	Senior partner and Toronto Regional Co-Chair of the Electricity Markets Group with the law firm, Borden Ladner Gervais LLP, Toronto office. Mr. Rodger is a Director of Logistec Corporation and the Chairman of the Canadian National Trust for Scotland.	Voting Shares – Nil Emera Shares – 5,400 DSUs – Nil Share Ownership Guidelines – 123%

<sup>(1)</sup> All voting shares of the Company are beneficially owned by Emera, with the exception of one common share held by 3240384 Nova Scotia Limited.

<sup>(2)</sup> Chairman of the Board since May, 2016. Effective March 29, 2018, Mr. Balfour will be President and Chief Executive Officer of Emera Inc.

## Meeting Attendance

The Director nominees attended Board of Directors meetings in 2017 as shown in the following table.

Board		
	#	%
Scott Balfour	6/6	100
Karen Hutt	6/6	100
Lee Bragg	5/6	83
Sandra Greer	5/6	83
Raymond Ivany	6/6	100

Mr. Rodger did not join the Board until February 5, 2018 and Mr. Janega is not currently a Director, therefore they did not attend any Board meetings in 2017. Current Board member, Marie Rounding, who is retiring on May 24, 2018 and, therefore, is not a Director nominee, attended all six Board meetings (100%) held in 2017.

## Inter-locking Directorships

There are currently no common memberships on boards of public companies among NSPI's Directors.

## Corporate Cease Trade Orders or Bankruptcies

No Director of the Company is, as at the date of this Circular, or was within 10 years before the date of this Circular, a director, CEO or CFO of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, CEO or CFO; or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

No Director of the Company:

- (a) is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a director or CEO of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No Director of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## Compensation of Directors

Directors who are not employees of NSPI or its parent company, Emera, receive a flat fee of \$85,000 per annum as compensation for their services as Directors. This flat fee means there are no meeting fees, although meeting fees can be provided for ad hoc committee meetings if and when they occur.

NSPI does not offer option-based awards, non-equity incentive plan participation, or participation in any pension plan to its Directors. Directors have the ability to elect to receive some or all of their cash compensation in the form of DSUs.

## Total Director Compensation in 2017

Director compensation details are disclosed in the *Table of Compensation Excluding Compensation Securities* and the *Table of Compensation Securities* set forth below. The NSPI President and CEO, Ms. Hutt, did not receive any additional compensation for her services as a Director of NSPI. Further, Mr. Huskilson, Emera's President and CEO and Mr. Balfour, Emera's Chief Operating Officer, are compensated by Emera

and do not receive any additional compensation as Directors of NSPI. Mr. Janega is also compensated by Emera and will not receive any additional compensation as a Director of NSPI.

All Directors are reimbursed for expenses incurred for attendance at Directors' and committee meetings, and when on NSPI's business.

### **Director Share Ownership Guidelines**

Under guidelines established by the Board of Directors, each non-employee Director must own Emera shares or DSUs, or a combination of the two, equal in value to three times the 2016 annual Board retainer (this amount is \$205,500), within five years of joining the Board. Details of each Director's share and DSU ownership, and status under the share ownership guidelines, is shown in the director nominee biographical information earlier in this Circular.

### **Directors' DSU Plan**

Under the Directors' Deferred Share Unit Plan (the "Directors' DSU Plan"), non-employee Directors may elect to receive all or any portion of their compensation in DSUs in lieu of cash compensation. For more information about the Non-Employee Directors' DSU Plan, see *Directors' DSU Plan* in Emera's Management Information Circular dated March 15, 2018, and which is available under Emera's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

NSPI's Board of Directors annually reviews its approach to corporate governance practices. It monitors best practices in order to enhance governance to provide stewardship to NSPI and to oversee management of the business. Set out below is a description of corporate governance practices of the Company.

### **Board of Directors**

All Directors are independent from management, except Ms. Hutt, who is NSPI President and CEO, Mr. Balfour, who is Chief Operating Officer of Emera, and Mr. Huskison, President and CEO of Emera. Mr. Janega, who will be Chief Operating Officer, Electric Utilities – Canada, US Northeast and Caribbean, Emera as of March 31, 2018, will not be considered independent.

To be considered independent, a Director must be independent as defined under applicable Canadian securities laws and, in particular, must be free of any direct or indirect material relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the Director's independent judgment. Use of the term "independent" in relation to a Director in this Circular shall refer to the foregoing meaning of that term. None of the independent Directors receive remuneration from the Company other than Directors' retainers, fees or fees for service as committee members.

There were six Board meetings during 2017. At each Board meeting as a matter of course, an opportunity is provided for an in-camera session at which management is not present.

### **Board Mandate**

The Board of Directors is responsible for overseeing the management of the business of the Company. The Board is also responsible for overseeing matters of integrity, strategic planning, risk responsibility, leadership and succession, financial reporting, corporate communications and public disclosure, and corporate governance.

On March 7, 2018, the Board of Directors adopted the practice that it would review any transaction with a value equal to or greater than \$2 million (CDN) under which it is proposed that NSPI acquire or provide to an affiliate of NSPI any goods, services, leases, asset transfers or other exchanges of value, other than energy and fuel transactions with affiliates. All such affiliate transactions will require the approval of a majority of the independent directors of the Board in order to be approved by the Board. For greater certainty, energy and fuel transactions with affiliates (whether greater than \$2 million (CDN) or not) are not among the affiliate transactions that require review by the Board or the approval of a majority of the independent directors of the Board.

Further, if a Director becomes aware of any actual or potential conflict between their duties or obligations to NSPI and any other company of which they are a director, officer or employee, the Director will inform the Board of such conflict. If the Board determines there is a conflict, the Director will recuse them self from any deliberations by the Board on matters involving the conflict.

These practices have been formalized in amendments to NSPI's Board of Directors Charter, a copy of which is attached as Appendix A.

### **Position Descriptions**

*Chair of the Board*

The Chair of the Board, Mr. Balfour is responsible to lead the Board to fulfill its duties effectively, efficiently and independent of management. The Chair ensures Board meetings function effectively, provides leadership of the Board and its committees and provides advice and counsel to Directors and the CEO. The Chair participates in the recruitment of Directors and the assessment of their performance.

#### *Committees*

The Board undertook a thorough review of governance with a view to maximizing efficiency and effectiveness in the governance of the Company. On the basis of this review, the Audit and Corporate Responsibility Committee and the Human Resources and Governance Committee were dissolved in February 2017, and their responsibilities reverted to the Board of Directors as part of governance restructuring. On the one-year anniversary of this restructuring, the Board reviewed its efficacy and concluded that no change would be made at this time.

#### *Chief Executive Officer*

The roles and responsibilities of the President and CEO are contained in her employment contract and in the Articles of Association which provide that she is chief executive for the Company.

### **Orientation and Continuing Education**

The Board and management believe that for new Directors to be effective in their roles they must be knowledgeable about the Company, its strategy, strengths and challenges. As well, effectiveness is enhanced as the new Directors form a collegial working relationship with other members of the Board in order to best bring their skills and knowledge to the operation of the Board.

New Directors receive an orientation to the Company that familiarizes them with the business, investments and key personnel of the Company and allows them to effectively integrate with other Board members.

Opportunities for tours of our plants and facilities occur for new and existing Directors. Orientation sessions are attended by the Board Chair, the President and CEO and other executive officers. A reference manual is provided in advance of the session that includes the following:

- (a) recent annual and interim MD&A and financials, Management Information Circular and Annual Information Form;
- (b) Board Charter;
- (c) Strategic Plan and Business Plan;
- (d) guide to the Company's management structure;
- (e) insider trading guidelines;
- (f) Emera Group of Companies Standards for Business Conduct; and
- (g) minutes of Board meetings.

### **Continuing Education for Directors**

The oversight function of Directors is enhanced when they are well informed about the Company's business and its industry. Management continually seeks opportunities to update, educate and inform the Directors in areas they request or that management determines are relevant to issues facing the Company.

The Board receives regular presentations from senior management updating Directors about market and industry conditions and trends that may impact the Company's existing business and influence its strategy.

Periodically the Board receives specialized presentations on various matters of significance to the Company. Directors participated in education sessions and received education materials about specific topics in 2017 as follows:

<b>Education Presentations</b>	<b>Date</b>	<b>Participants</b>
Employee Engagement Survey	Feb 6, 2017	All Directors (Dinner Presentation)
Annual Environmental Oversight for Directors	Feb 6, 2017	All Directors
Innovative Technologies – Energy Industry <i>Advanced Metering Infrastructure (AMI) and Electric Vehicle Charging Stations</i>	Feb 7, 2017	All Directors
Engineers In Training Program Overview	May 4, 2017	All Directors
Power Generation Technologies	June 19, 2017	All Directors
External Consultants Presentation: Power and Utilities Industry Trends	June 19, 2017	All Directors (Dinner Presentation)
Corporate Research Associates Presentation: Customer Satisfaction Results and Research Methodology	Nov 1, 2017	All Directors (Dinner Presentation)

The Board encourages and pays for Directors to pursue education sessions provided by third parties that are directly related to the business of the Company and the performance of their duties as a Director of the Company. As such, Directors individually attended a variety of relevant educational or training sessions to enhance their effectiveness as members of the NSPI Board.

### **Board Dinner Sessions**

Board dinner sessions are scheduled the evening prior to regularly-scheduled Board meetings. Board dinners are a critical opportunity to accomplish a number of important governance objectives, including:

- Meeting as independent directors in an atmosphere that is not a board meeting. The Board's practice is to have one dinner each year at which only the independent directors attend;
- Meeting in a less formal atmosphere with the CEO and other senior officers;
- Holding educational sessions on important topics for the Company's business and strategic direction;
- Meeting high-potential employees in order to advance the succession planning for the Company; and
- Strengthening Directors' collegial working relationship.

### **Ethical Business Conduct**

The Board recognizes the importance of establishing and promoting integrity and ethical business practices throughout the Company. The Board encourages and promotes a culture of ethical business conduct.

Emera adopted a new Code of Conduct in 2016 when Emera and TECO Energy, Inc. closed their merger transaction, replacing Emera's Standards for Business Conduct and TECO's Code of Ethics & Business Conduct. When they join and annually thereafter, Directors, officers and employees of Emera and its subsidiaries are required to sign a form acknowledging they have reviewed, understand, are currently in compliance, and agree to comply with our Code.

The Code of Conduct is available on Emera's website at [www.emera.com](http://www.emera.com), or a copy may be obtained by contacting the Chief Human Resources Officer, Emera Inc., P.O. Box 910, Halifax, Nova Scotia B3J 2W5.

Under the Company's Articles of Association, Directors are required to declare any interest which they may have in a matter before the Board. In any matter requiring approval of the Board, a Director is prohibited by the Articles from voting in respect of the matter in which the Director is interested.

### **Nomination of Directors**

The Company's Board of Directors is responsible for providing the Company with a list of nominees for election as Directors prior to each annual meeting of shareholders of the Company. The Board creates and reviews the criteria for selecting Directors by assessing the personal qualities, business experience, and qualifications of current Directors.

Current Director, Marie Rounding is not a nominee for re-election at the Meeting. Having regard to the Company's age limit (see *Age Limit*, below), Ms. Rounding, who will be age 71 at the time of the Shareholders' meeting on May 24, 2018, will retire from the Board on that day. As such, she has not been included in the list of nominee Directors for election at the Meeting. A Director since 2007, Ms. Rounding served as Chair of the Human Resources and Governance Committee from May 2013 until it was dissolved in February 2017, and was Chair of the Audit, Nominating and Corporate Governance Committee from May 2009 to May 2013.

Mr. Huskison was a Director since 2004. In March 2017, Mr. Huskison provided notice of his intention to retire as Emera's CEO in 2018. He resigned from the NSPI Board on February 6, 2018.

### **Age Limit**

Director nominees must be under 70 years of age at the time of the Company's annual meeting in order to qualify for nomination. In certain exceptional circumstances, the Board may determine and recommend that an individual be permitted to serve as a member of the Board beyond age 70 because of the individual's contribution and skills. Such determination is made annually. In 2017, the Board of Directors exercised its discretion and included Marie Rounding, who turned 70 before the Company's 2017 shareholders' meeting, in the list of nominee Directors for election at the Company's 2017 shareholders' meeting. As mentioned above, Ms. Rounding will retire on May 24, 2018. All Director nominees for the Company's 2018 shareholders' meeting are under 70 years of age.

### **Term Limits**

The Board does not have term limits for Directors at this time.

### **Board Diversity**

To ensure that there are a significant number of women on the Company's Board of Directors, the Company recruits Board members under a long-standing written corporate governance practice, which requires that no fewer than 25 per cent of the members of the Board of Directors are women. NSPI has achieved this requirement; its Board of Directors has three women, or 37 per cent of the total members of



the Board. The list of Director nominees for the annual shareholders' meeting on May 24, 2018, includes two women out of seven Director nominees, or 28 per cent.

This governance practice reflects the Board's view that gender diversity is an important part of fostering diversity of perspective and experience around the Board table, leading to improved overall performance of the Board.

### **Representation of Women in Executive Officer Appointments**

The Company believes in the benefits of inclusion, however there are no imposed targets regarding women in executive officer appointments. Among the executive officers of the Company, currently four are women – including the President and CEO, representing 30 per cent (this figure was 38 per cent in 2017). Management is of the view that inclusion at all levels brings many benefits to the business and has placed greater focus on attracting diverse talent.

### **Ad Hoc Committees**

From time to time the Board may establish ad hoc committees to assist the Board on specific matters of a temporary nature.

### **Board and Director Performance Assessments**

The Board regularly assesses its effectiveness in order to find ways to improve its performance. The Board annually determines the process by which Director performance assessments will be conducted. The assessment process has included one-on-one interviews with Directors by the Board Chair. A report on the assessment is provided to the Board of Directors. Issues arising from the assessment are identified, an action plan is developed and progress is monitored by the Board.

### **2017 Board and Director Performance Assessment**

For the 2017 Board and Director Performance Assessment, the Chair spoke to each Director of NSPI in order to receive feedback about the effectiveness of the Board's operation. He provided a report on the Assessment to the Board at its meeting on February 5, 2018.

## **STATEMENT OF EXECUTIVE COMPENSATION**

The Boards of Directors of Emera and NSPI make decisions on the compensation for NSPI's Executive Officers, based on the recommendations of Emera's Management Resources and Compensation Committee (MRCC). The NSPI Board and MRCC oversaw the administration of all NSPI executive compensation plans and programs for 2017. For purposes of this *Statement of Executive Compensation*, the term "Company" may refer to NSPI, Emera or both, as applicable.

### **Compensation Philosophy**

The purpose of the Company's executive compensation program is to:

- reward executives for sustained increases in shareholder value;
- attract, retain and motivate highly qualified and high-performing executives; and
- align the interests of executives with the interests of the Company's shareholders and customers.

Programs include both short- and long-term incentive plans that are designed to reflect the Company's pay-for-performance philosophy and to provide for a significant portion of an executive's compensation to be at risk, while aligning the structure of programs and payouts with sound risk management and good governance principles.

### **Market Competitiveness**

The Company's executive compensation program is designed to generally provide total target compensation at the median or 50th percentile of compensation paid by similarly sized companies in similar industries. Pay positioning, in some specific cases, can be above or below the median based on experience, uniqueness of responsibilities, and performance. "Total target compensation" for senior management, including the named executive officers (NEOs), is comprised of base salary, target short-term incentive, and target long-term incentives linked to total shareholder value.

### **Pay-for-Performance**

A central tenet of the Company's executive compensation philosophy is that a significant portion of executive compensation must be at risk and linked to the achievement of objectives that measure whether shareholders are experiencing strong value for their investment. The at-risk components include both short- and long-term incentives, which establish measurable financial, customer, asset, employee and safety objectives that, if achieved, add value to the Company.

The incentive compensation plans are designed to pay larger amounts for superior performance and smaller amounts if target performance is not achieved. The Company must achieve a threshold level of performance for any payment against a particular objective, failing which there is no payment against that objective. Executives' performance against those objectives is measured and rated by the President and CEO, the NSPI Board, the MRCC and the Emera Board.

Generally, the at-risk compensation component of total compensation increases in conjunction with the individual executive's level of responsibility. Management considers many factors when developing the incentive plans, including current compensation trends, plan costs (including maximum payout values), expected value to be delivered to participants and analysis of threshold, target and stretch payouts. Both short- and long-term incentive plan designs are modelled using historical and prospective performance scenarios. This stress testing provides the MRCC and NSPI Board with reasonable assurance that the plan payouts will be appropriate and aligned with shareholder and Company objectives. The Company conducts analyses every year to determine how actual payouts compare to expected payouts and whether the plan components and design require any changes.

The NSPI Board and MRCC reserve the right to exercise discretion in recommending that the Emera Board adjust compensation payouts to align with Company results, which may include refraining from paying out any amounts under the incentive compensation plans where circumstances warrant.

### Best Practices

The NSPI Board and MRCC consider best practices in determining and monitoring executive compensation as discussed in this Circular. Our key practices, which we believe promote good governance and serve the interests of our shareholders and customers, are summarized below:

<b>What We Do</b>
Align the Company's compensation programs with its corporate strategy through the use of financial and non-financial performance metrics that support both short- and long-term strategic goals.
Retain an independent compensation advisor for the MRCC that does not provide any services directly to management.
Allow for the reduction or withholding of payouts under the short-term and equity-based incentive plans for results below expectations, at the discretion of the NSPI Board, MRCC and Emera Board.
Test compensation awards for appropriate alignment between pay and performance under a number of scenarios.
Align executive pay with shareholders' interests by having a significant component at risk and tied to both short- and long-term performance.
Have significant share ownership requirements in place for named executive officers, which include a one-year post-retirement hold period.
Defer a substantial portion of long-term incentives for the majority of the senior executives and for other employees whose actions may have a material impact on the Company's risk profile to discourage the taking of short-term or excessive risks.
Have a pension oversight governance framework in place for pension benefits.
Monitor the ratio of the Company's NEOs' total compensation to the average employees' total compensation.
Have a clawback policy that allows the Company to recoup short- and long-term incentive payments made to senior executives.
<b>What We Don't Do</b>
Allow for the repricing or backdating of stock options.
Allow the payment of dividends on share awards prior to vesting.
Count unvested share awards, awards that are subject to performance criteria, or unexercised stock options toward share ownership requirements.
Allow executives to hedge, pledge, or otherwise reduce or limit their economic risk with respect to any Emera securities they hold.
Grant additional years of credited service to NEOs under the Company's pension plan or supplemental employee retirement plan.

### Governance

The MRCC and NSPI Board are responsible for reviewing the alignment of the Company's compensation programs, including incentive pay programs, with the Company's strategic plans, performance and risk management principles. The MRCC and NSPI Board annually review compensation for senior management of the Company.

The MRCC oversees the administration of the incentive plans providing for the award of short-term incentives, stock options, PSUs and deferred share units (DSUs) in accordance with the provisions of the respective plans. The MRCC reviews, and recommends to the Emera Board, compensation policies and processes, any new incentive and equity compensation plans and any changes to such plans.

### Risk Management and Compensation

As part of the oversight responsibilities for the design and administration of the Company's executive compensation programs, the MRCC and NSPI Board identify and discuss design features or processes that may potentially represent conflicts of interest or inducements for unnecessary or excessive risk-taking by senior executives.

The MRCC and NSPI Board also regularly monitor industry trends with respect to risk management and conduct an annual risk assessment. The compensation programs and policies are designed to incorporate the Company's view on appropriate risk, as demonstrated by the elements shown below, which are discussed in greater detail in the sections that follow:

The Company regularly reviews its executive compensation programs with third-party compensation advisors to confirm the programs continue to align with shareholder interests and comply with regulatory requirements, and are consistent with sound principles of risk management and governance. The MRCC retains an independent compensation advisor that does not provide any services directly to management.
The Company has a pay-for-performance philosophy and the mix of short- and long-term programs assist in mitigating excessive risk taking. Vesting requirements, stress-testing potential payouts, clawback provisions, an anti-hedging policy and share ownership requirements are part of the Company's overall plan design.
The Company's compensation governance structure involves the NSPI and Emera Boards, the MRCC, the MRCC's external compensation advisor, management and management's external compensation advisors.
All members of the MRCC are knowledgeable individuals who have the necessary background and expertise in human resources issues and compensation matters to fulfil their obligations to the Emera Board, NSPI Board and to the Company's shareholders.

### Risk Assessment

In 2017, the MRCC conducted its annual compensation risk review of its executive compensation programs and policies. To assist in the review, Management engaged Mercer (Canada) Ltd. ("Mercer") to evaluate the previous year's comprehensive risk assessment that Mercer conducted for any material changes over the course of the year, including the changes the Company made to its long-term incentive program as described in *Performance Share Unit Plan*. Mercer again concluded that the Company has risk mitigation policies in place that are aligned with market best practices and did not identify any material risks arising from the Company's compensation policies and practices. Based on this assessment, the MRCC, determined that:

- Total compensation is appropriately balanced between short-term and long-term horizons and the mix of base salary and short- and long-term incentives does not create an inducement to take inappropriate risk to the detriment of the Company's shareholders;
- The existence of multiple performance measures in the incentive plans (including non-financial measures) helps to avoid undue focus on any one particular metric;
- The Short-Term Incentive Plan focuses on growth of annual earnings and cash flow, but caps incentive payouts in a manner consistent with market practice, thereby reducing risk;
- Risks associated with the Long-Term Incentive Plan are mitigated by annual grants (versus front-loading grants) of PSUs and stock options;
- The MRCC, NSPI Board, and Emera Board's discretion to reduce or withhold payment under the short-term and equity-based incentive plans for results below expectations decreases any risks associated with those plans;
- The vesting conditions on retirement are an important retention tool for designated executives of the Company;
- The clawback policy contributes to the Company's risk mitigation efforts. The clawback policy allows the Company to recoup short- and long-term incentive payments made to senior executives in cases where: (a) such payments were based upon reported financial results that were subsequently corrected or restated as a result (or partial result) of the executive's gross negligence, misconduct, or fraud and the reward received would have been lower had the financial results been properly reported; or (b) where the executive commits a serious breach of the Company's Code of Conduct; and
- The inclusion of double-trigger provisions in senior executives' employment contracts and the absence of enhanced benefits in a change of control mitigates the risk arising from a change in control of the Company.

Accordingly, based on the governance practices in place and the results of the risk assessment, the MRCC concluded that the Company's compensation programs do not pose a material risk to the Company because an appropriate system of checks and balances is in place to mitigate the level of risk undertaken by management. With input from its independent compensation advisor, Hugessen Consulting Inc., the MRCC satisfies itself as to the adequacy of the information it receives regarding risk, the independence of the risk assessment, and the reporting of financial results on which certain important compensation decisions (such as incentive payouts) are based.

The MRCC and the NSPI Board will continue to review the relationship between enterprise risk and the Company's executive compensation plans and policies to confirm they continue to be optimally aligned with shareholder interests while maintaining an acceptable level of risk exposure.

### Compensation Advisors

The MRCC and NSPI Board retain the services of independent compensation advisors to assist in discharging their duties, including determining the compensation payable to the President and CEO and other senior officers.

Since 2007, the MRCC has engaged Hugessen Consulting Inc. ("Hugessen") as its principal advisor to provide independent advice, compensation analysis and other information for compensation recommendations. Hugessen provides advice on the competitiveness and appropriateness of compensation practices and comparator groups for the Company and provides advice to the MRCC on policy recommendations made by management. As independent advisors to the MRCC, Hugessen does not provide any professional services to management.

In addition to the MRCC's compensation advisor, in 2017 the Company engaged the services of Mercer and Morneau Shepell to assist in executive compensation matters.

It making its decisions on the compensation program, the NSPI Board and MRCC review information and recommendations provided by Hugessen, Mercer, and Morneau Shepell, but all decisions remain the responsibility of the MRCC, the NSPI Board and the Emera Board.

The table below summarizes the fees Emera paid to all external compensation advisors in 2016 and 2017.

Advisor	2017		2016	
	MRCC work (\$)	Other work (\$)	MRCC work (\$)	Other work (\$)
Hugessen Consulting Inc.	143,757	Nil	198,681	Nil
Morneau Shepell	Nil	57,124	Nil	41,720
Mercer (Canada) Limited	Nil	98,567	Nil	139,461

## COMPENSATION DISCUSSION AND ANALYSIS

For the purposes of compensation disclosure, the individuals disclosed in this Compensation Discussion and Analysis are the President and CEO, the Chief Financial Officer, and the next most highly compensated executive officer of Nova Scotia Power Inc. or its subsidiaries, as defined by Canadian securities legislation (the “Named Executive Officers” or “NEOs”):

- **Karen Hutt**, President and Chief Executive Officer, Nova Scotia Power Inc.;
- **Greg Blunden**, Chief Financial Officer, Emera Inc.; and
- **Bruce Marchand**, Chief Legal and Compliance Officer, Emera Inc.

### Compensation Process

#### Benchmarking Data

The NSPI Board and MRCC are responsible for annually reviewing the composition and use of comparator groups and to assist in determining the compensation recommendation for the Company’s senior officers, which are then brought to the Emera Board for approval. The MRCC and NSPI Board undertake periodic reviews of compensation design and total compensation opportunities for the senior management team, which helps ensure the programs are current and that they fairly compare for particular roles, recognizing varying responsibility and scope of executive positions within the Company.

Management engages the services of Mercer, an independent compensation advisor, to compile market information on senior management compensation relating to base salary, short-term and long-term incentives. The MRCC also uses its independent compensation advisor, Hugessen, to assist in providing benchmarking data and advice when setting executive compensation levels and making changes to the Company’s compensation programs.

A complete benchmarking review takes place at least every two years and the scope of services includes: competitive market reviews of senior executive compensation levels; review and observations of current executive compensation philosophy, policies and practices; and a review of pay and performance comparators.

#### 2017 Compensation Decisions

To assist in determining the appropriate compensation ranges for base salaries, target short-term incentives and target long-term incentives for the senior executive team at the beginning of 2017, the NSPI Board and MRCC reviewed compensation data based on a comparator group of companies.

For the President and CEO role, the comparator group primarily consisted of companies in the Canadian utility sector that are of comparable size to NSPI, which was generally viewed as being within the range of half to twice NSPI’s revenue and total asset size. The following is the comparator groups for the President and CEO:

#### Pay Benchmarking Comparator Group (Applicable to President & CEO)

Utilities Industry Comparators	
Alberta Electric System Operator	FortisBC Inc.
ENMAX Corporation	Northland Power Inc.
EPCOR Utilities Inc.	Toronto Hydro Corp.
Fortis Alberta Inc.	

For the Chief Financial Officer and Chief Legal and Compliance Officer, a new comparator group was used for benchmarking in 2017 as a result of the acquisition of TECO Energy, Inc. which effectively doubled the size of Emera and made it one of the 20 largest publicly traded regulated utilities in North America. Approximately 70 per cent of the Emera’s assets are now US-based and approximately 70 per cent of the Emera’s revenues came from US operations in 2017. In light of Emera’s increased size and scale, broader geographic scope and increased operational complexity, the MRCC, with the assistance of Hugessen, undertook a review of the appropriate market comparators in 2016 and

considered various market approaches for benchmarking Canadian companies with significant US operations. The review looked at a number of factors, including:

- (1) The talent market for the executive team – where the Company sees potential new executive hires coming from and to where our current executive team may get recruited, both in terms of geography and industry.
- (2) Oversight responsibility – whether having significant oversight over US operations should have an impact on the comparator group against which a particular executive is benchmarked.
- (3) Geographic impact – determining how much influence the working location of the executive should have on the comparator group.

Resulting from the review, the MRCC approved a new comparator group for senior executives of Emera, consisting of two-sub groups: (1) a Canadian group made up of companies in the Canadian utility, energy and general industry sectors; and (2) a US group made up of US utility and energy companies. The new comparator group consists of the following companies:

#### **Pay Benchmarking Comparator Group (Applicable to Chief Financial Officer and Chief Legal & Compliance Officer)**

<b>Canadian Comparators</b>	<b>US Comparators</b>
<b>Energy &amp; Utility Industry</b>	<b>Energy &amp; Utility Industry</b>
Fortis Inc.	Sempra Energy
Hydro One Limited	WEC Energy Group, Inc.
ATCO Ltd.	Eversource Energy
TransAlta Corp.	DTE Energy Company
Enbridge Inc.	CMS Energy Corp.
TransCanada Corporation	Ameren Corporation
Pembina Pipeline Corporation	SCANA Corp
Inter Pipeline Ltd	CenterPoint Energy, Inc.
AltaGas Ltd.	NiSource Inc.
<b>General Industry</b>	Alliant Energy Corporation
Rogers Communications Inc.	Pinnacle West Capital Corporation
Loblaw Companies Limited	UGI Corporation
Restaurant Brands International LP	Westar Energy, Inc.
TELUS Corporation	Atmos Energy Corporation
Potash Corporation of Saskatchewan	Great Plains Energy Incorporated
Agrium Inc.	OGE Energy Corp.
CGI Group Inc.	
Goldcorp Inc.	
Canadian Tire Corp. Ltd	
First Quantum Minerals Ltd.	
Teck Resources Limited	

The MRCC concluded the new comparator group was appropriate in light of the impact of TECO Energy, Inc. on Emera’s business and based on similar approaches used by other Canadian companies, particularly those with significant operations in the US. While the benchmarking group assists in determining the appropriate compensation ranges for base salaries, target short-term incentives and target long-term incentives for the senior executive team, the MRCC does not believe in a “one size fits all” approach and looks at the circumstances of each executive when determining whether to benchmark using the full comparator group or whether a different approach is warranted. The three factors noted play an important part in making this determination. When benchmarking executives who are paid in Canadian dollars against roles that are paid in US dollars, the Company uses the 10-year average exchange rate between Canada and the US to smooth out the impact of currency fluctuations.

The MRCC and NSPI Board continue to regularly review the composition of the comparator groups to ensure it continues to reflect the Company’s characteristics.

In addition to using publicly disclosed compensation data from the companies in the comparator group, the MRCC and NSPI Board also use Mercer’s Total Compensation Survey for the Energy Sector to benchmark executive compensation using data from energy and services companies of similar size to NSPI and Emera. To provide sufficient data in some cases, the Mercer Benchmark Database Survey, which is a general industry database, is also used to expand the survey scope to include Canadian general industry companies of similar size.

With the assistance of Hugessen and Mercer, the NSPI Board and MRCC conducted a compensation benchmarking review of the executive team for 2017 using the above companies and survey data, and undertook a review of the competitiveness and appropriateness of Emera’s compensation programs. More details on the results of the review are provided in the next section.

#### **Annual Compensation Review Process**

For each executive position, a range for base salary, target short-term incentive, and target long-term incentive is established annually, using the benchmarking data along with other information on industry trends for positions of similar scope and responsibility.

Annual performance assessments are conducted on members of the senior management team, including each of the NEOs, which shape the annual salary adjustment recommendations. Based on the performance assessments and the benchmarking data, the Emera MRCC, NSPI Board and Emera Board make decisions on total target compensation for each NEO. As part of the annual compensation review process, the MRCC and Boards review emerging best practices and risk considerations.

At the end of 2016, both Management’s compensation advisor, Mercer, and the MRCC’s compensation advisor, Hugessen, provided the results of their benchmarking reviews, which indicated that the compensation of the NEOs was below the targeted percentiles when compared against companies in the Company’s comparator group. In light of the comparative compensation positioning to market, and to recognize the significant achievements of the NEOs, the Emera Board approved adjustments to the target compensation levels of the NEOs in 2017 to bring them closer to the prevailing market rates.

The changes made to the compensation of the respective NEOs in 2017 are reflected in the *Table of compensation excluding compensation securities*.

## Elements of Compensation

### Base Salary

As noted in *Benchmarking Data*, the MRCC and NSPI Board are responsible for annually reviewing the composition of the compensation the Company pays its executives, including base salary. While the MRCC and NSPI Board focus on total compensation as a whole (which consists of base salary, short-term incentive and long-term incentives), base salary remains an important part of the overall compensation package the Company offers its executives.

### Short-Term Incentive Program

The compensation awarded under the Short-Term Incentive Program links a portion of an executive’s compensation to the achievement of predetermined levels of performance in support of corporate and business unit objectives. These objectives are designed to focus on short-term goals (typically on an annual basis) that are intended to deliver value to customers and contribute to increased shareholder value in the longer term. Emera and NSPI have adopted the scorecard approach to translate corporate strategies into measurable incentive plan goals. Target payouts under the scorecards are generally set as a percentage of salary and are benchmarked against the median for positions with similar responsibilities in comparator companies.

The NSPI and Emera Boards approve scorecards that set forth corporate objectives and related threshold, target and stretch performance levels to be achieved each year. Short-term incentive payouts for the majority of senior management, including the NEOs, are based on scorecard results with potential payouts ranging from 0 to 200 per cent of target.

All NEOs have their short-term incentive payout calculated based on results achieved through the scorecard.

## 2017 Short-Term Incentive Results

### 2017 Nova Scotia Power Incorporated (NSPI) Corporate Scorecard

The 2017 NSPI Scorecard set out corporate objectives and related threshold, target and stretch performance levels for 2017. It was used to determine the short-term incentive payout for Ms. Hutt.

The NSPI Scorecard is developed and recommended by NSPI management for approval by the NSPI Board at the beginning of each year. The following table shows the objectives of the NSPI Scorecard for 2017.

Corporate Objective	Targets	Weighting (%)	Result	Payout (%)
<b>Safety</b> Build and sustain continual improvement toward World Class Safety & Health performance	<ul style="list-style-type: none"> <li>Launch of Safety Initiative by February 2017 (in accordance with 5 Year Safety Plan)</li> <li>5% increase (over 2016 actuals) of employees participating in at least 2 proactive health initiatives</li> <li>One proactive incident report for every employee (or equivalent total submissions) with at least 20% of these being behavior-based</li> <li>25% reduction in hand injuries over 2016 actuals</li> </ul>	10	Target	10

<b>People</b> Growing our People and their Development as Leaders	<ul style="list-style-type: none"> <li>Three identified <i>Leaders of the Emera Way</i> initiatives (Mentorship, Leadership Contract &amp; Leadership Quality Assessment Tool) are fully implemented as per implementation plan</li> <li>Grow future employees and leaders by developing an Engineer in Training program and creating positions for at least 11 new employees</li> <li>Develop a diversity strategy, with roll-out ready implementation plan for Board Approval that focuses on promoting NSPI as an employer of choice</li> <li>Provide 25% of High Potential employees with a new growth opportunity</li> </ul>	10	Stretch	20
<b>Customer</b> <sup>(1)(2)</sup> Increase Value for Customers and Build Reputation for Customer Experience	<ul style="list-style-type: none"> <li>Complete successful AMI Pilot - implement AMI test lab environment, install at least 750 meters to enable complete evaluation of customer engagement with portal and bill alerts</li> <li>Develop assessment criteria for Reconnecting to Communities Initiative</li> <li>Deliver on the 2017 Customer Pain Point removal plan System Average Interruption Duration Index (SAIDI) x System Average Interruption Frequency Index (SAIFI) (including extreme events) &lt;= 22.7 OR attain a Customer Satisfaction Score &gt;= 78% (+2% vs. 2016 year end result)</li> </ul>	25	Stretch	50
<b>Asset Management</b> Operate, Maintain and Invest in the Assets Serving our Customers Fostering Customer Trust	<ul style="list-style-type: none"> <li>Achieve regional benefits under the Regional Cooperation Agreement with NB Power: achieve cost and benefit neutrality (or net benefit) for 2017 and complete 2017 implementation schedule</li> <li>Achieve regulatory approval for Enterprise Resource Planning (ERP), achieve NSP project objectives, and full achievement of new performance standards</li> </ul>	25	Target	25
<b>Financial</b> <sup>(3)</sup> Sustainable Financial Results	• Net Earnings of \$130M	15	Between Threshold & Target	28.8
	• Cash flow from operations \$492M and average working capital as a % of revenue 18.4%	15		
		100	<b>Total: 133.8</b>	

(1) After consultation with Regulatory Stakeholders throughout Q1 and into Q2, 2017, NSPI decided to withdraw its AMI Pilot Application and work on a full deployment strategy. Management recommended to the NSPI Board in June that it proceed with a full deployment application to the Utility and Review Board and the application was filed on October 19, 2017, with the feedback of stakeholders incorporated into the filing. The filing will allow for the full implementation and deployment by 2020.

(2) The SAIFI x SAIDI result was 24.8. The customer satisfaction year end score was 83.6 per cent.

(3) The financial measures are prorated on a scale between each level of performance. Percentage payouts in between threshold and target, and in between target and stretch, are prorated on a scale between each level of performance (50 per cent for threshold, 100 per cent for target and 200 per cent for stretch). The threshold level for the net earnings objective was earnings of \$126M and the result was \$129.3M. The threshold level for the cash flow from operations objective was \$457M and average working capital of 19.8 per cent of revenue. The result was \$506M and average working capital as a percentage of revenue was below 17 per cent.

## 2017 Emera Corporate Scorecard

The Scorecard for Emera (“Emera Corporate Scorecard”) was developed by management and approved by the MRCC and the Emera Board at the beginning of 2017. It was used to determine the short-term incentive payout for Mr. Blunden and Mr. Marchand.

The Emera Corporate Scorecard objectives were based on the Company’s Business Plan for the year and established threshold, target, and stretch performance standards for each objective. The following table shows the elements and results of the Emera Corporate Scorecard for 2017.

Corporate Objective	Weighting (%)	Threshold (\$)	Target (\$)	Stretch (\$)	Result (\$)	Percentage Payout (%) <sup>(1)</sup>
Cash From Operations <sup>(2)</sup>	40	1,170M	1,462M	1,754M	1,218M	23.3
Net Income After Tax <sup>(2)</sup>	40	498M	586M	674M	535M	28.3
Continued Development of Leaders	10	<ul style="list-style-type: none"> <li>Enterprise Resource Planning (ERP) Scorecard achieves &gt;120% for 2017;</li> <li>Implement internal communications strategy;</li> <li>Implement an Emera wide learning platform for compliance related training and tracking and pilot in 2017; and</li> <li>Establish Change Management as a discipline within Emera.</li> </ul>			Stretch Achieved	20
Safety & Environment	10	<ul style="list-style-type: none"> <li>Safety Performance Dashboard approved and implemented in all affiliates;</li> <li>Environmental Audit Program completed with no findings of major risk;</li> <li>AIF &lt;=1.08, PAIR &gt;=250 and 90% of the Executive Team complete two Safe Work Observations / Safety Leadership tours;</li> <li>Environmental critical targets are 100% complete; and</li> <li>Completion and approval of Emera Safety Management Manual and key high level procedures with rollout to Affiliates.</li> </ul>			Threshold Achieved	5
		<b>100</b>		<b>Total: 76.6</b>		

(1) Percentage payouts, below or above target for financial measures, are prorated on a scale between each level of performance (50 per cent for threshold, 100 per cent for target and capped at 200 per cent for stretch).

(2) Cash from operations and Net Income After Tax for compensation purposes do not have a standardized meaning as prescribed by US GAAP Emera calculates these non-GAAP measures by adjusting reported cash from operations and net income after tax for specific items the Company believes are significant, but not reflective of underlying operations in the period. Emera’s Management and Board of Directors use these non-GAAP measures as part of the evaluation of the Company’s performance for

compensation purposes. Cash from operations for compensation purposes in 2017 reflected net cash provided by operating activities adjusted to translate USD generated cash flow to the budgeted foreign exchange rate of \$1.00 USD = \$1.33 CAD. Net income after tax has been adjusted for mark-to-market, the estimated impact of the provisional revaluation of US non-regulated net deferred income tax assets as a result of US tax reform and to translate USD earnings to the budgeted foreign exchange rate of \$1.00 USD = \$1.33 CAD. The Company translates net cash provided by operating activities and USD earnings to CAD earnings using a budgeted foreign exchange rate to ensure that fluctuations in the foreign exchange rate do not positively or negatively impact the measurement of the Company's performance results against its targets. Refer to the Non-GAAP Financial Measures section of Emera's Annual Management's Discussion and Analysis as at February 9, 2018 for further discussion of these items.

The cash from operations and net income after tax results increased from the previous year, but fell short of the targets Emera set at the beginning of the year. Accordingly, both these financial measures fell in between the threshold and target level of performance. Emera achieved stretch on all People and Process measures, including the ERP Scorecard exceeding 120 per cent based on key measures of being on time and on budget. The ERP project involved redesigning processes for Emera's Canadian operations in the areas of finance, human resources, supply chain management, as well as information technology and upgrading the systems that serve as the backbone for these critical business areas.

The Safety & Environment measure results exceeded target; however, due to serious safety incidents at Emera affiliate companies in 2017, management made a recommendation to the MRCC to make no payout related to the safety component of the measure. The MRCC and Emera Board agreed with the recommendation. Accordingly, only the achievements against the environment component of the measure were recognized and the overall Safety & Environment measure result was threshold.

Based on the Emera's achievements against the corporate objectives in the Scorecard, the overall Scorecard result was 76.6 per cent of target.

### Long-Term Incentive Program

There are two primary components of long-term incentive compensation for senior management, including the NEOs: the Performance Share Unit Plan (the "PSU Plan") and the Senior Management Stock Option Plan (the "Stock Option Plan"). The MRCC is responsible for granting PSUs and stock options.

The number of PSUs and stock options granted to senior management is determined after considering competitive benchmarking data and the individual's level of responsibility within the Company. Grants are calculated each year based on each executive's long-term incentive target percentage and base salary and, generally, the grant amount increases with the level of responsibility. The value of PSUs and stock options increase or decrease over the term of a particular grant based on increases or decreases in Emera's common share price.

The MRCC takes into account previous grants and looks at a three-year history of total compensation each year before approving any new stock option and PSU grants for senior management (including the NEOs). This helps to ensure grants remain reasonable in light of market data and the performance of both the Company and the individual.

In 2017, 75 per cent of the target long-term incentive compensatory value for the NEOs consisted of PSUs and 25 per cent consisted of stock options. More details about the PSU Plan and the Stock Option Plan are set forth below.

### Performance Share Unit Plan

The PSU Plan is designed to retain and incent employee participants by allowing senior management and key employees in specific roles to participate in the long-term success of the Company. A PSU is a notional share unit that is based on the value of an Emera common share – the value of a PSU changes directly in correlation to the value of an Emera share. PSUs also attract dividends similar to Emera shares; when a dividend is paid on Emera's common shares, each participant is allocated additional PSUs based on the dividend paid on an equivalent number of Emera common shares.

Each year, designated senior leaders are awarded PSUs based on a pre-determined target of their base salary and the average 50 trading-day Emera common share price immediately preceding the effective grant date (the average is used to smooth out any short-term fluctuations in the share price). Each PSU grant has a three-year performance period. In addition to being affected by fluctuations in the Emera share price, the value of a PSU is also dependent on the achievement of financial objectives that help measure the increase in shareholder value. The MRCC establishes these financial objectives at the beginning of the performance period. By linking the value of the PSUs to Emera's financial performance, the plan aligns the interests of senior leaders with the interests of Emera's shareholders and helps ensure that both shareholders and helps ensure that payouts are consistent with Company performance and shareholder experience. All PSU grants and payouts must be approved by the MRCC.

At the end of the performance period, a performance factor is applied to the PSU grant based on the achievement of the financial objectives. If the Company fails to meet the performance objectives for a particular PSU grant, the Plan may pay out at less than target, or may not pay out any amounts at all. If targets are exceeded, the performance factor may increase the payout by up to two-times.

Accordingly, the amount payable to participants, including NEOs, at the end of the three-year performance period is determined by:

$$\boxed{\text{PSU Payout}} = \boxed{\text{Original Grant + Notional Dividends}} \times \boxed{\text{Performance Factor}} \times \boxed{\text{Closing Share price}}$$



Similar to the methodology on grant, the payout is based on the average 50-day closing price for Emera common shares at the end of the three-year performance period to smooth out short-term price fluctuations.

The 2014 PSU Grant had a performance period of January 1, 2014 to December 31, 2016 and was paid out in 2017, as reported in the *Exercise of Compensation Securities by Directors and NEOs* table. The 2015 PSU grant had a performance period of January 1, 2015 to December 31, 2017 and will be paid out in 2018. The payouts for the 2015 grant will be reported in next year's Management Information Circular.

The metrics for the 2014 PSU grant are shown below.

#### Performance Factor 1

The first performance factor was based on Emera's average three-year total shareholder return (TSR) relative to the average three-year TSR of the S&P/TSX Capped Utilities Index as illustrated in the table below.

Relative annual return to S&P/TSX Capped Utilities Index	Performance Factor
Less than -5%	0
-5%	0.5
0%	1.0
5% or more	1.5

#### Performance Factor 2

The second performance factor was based on Emera's average annual growth in EPS:

Emera average three-year Earnings Per Share growth	Performance Factor
Less than 4%	0
4%	0.5
6%	1.0
8% or more	1.5

In addition, dividends had to be maintained at or higher than the December 31, 2013 levels; if dividends were reduced, the second performance factor would be deemed to be zero regardless of EPS growth.

The metrics for the 2015 PSU grant are shown below.

#### Performance Factor 1

The first performance factor was based on Emera's average three-year total shareholder return (TSR) relative to the average three-year TSR of the S&P/TSX Capped Utilities Index as illustrated in the table below.

Relative annual return to S&P/TSX Capped Utilities Index	Performance Factor
Less than -5%	0
-5%	0.5
0%	1.0
5% or more	1.5

#### Performance Factor 2

The second performance factor was based on Emera's average annual growth in EPS:

Emera average three-year Earnings Per Share growth	Performance Factor
Less than 2%	0
2%	0.5
6%	1.0
10% or more	1.5

In addition, dividends had to be maintained at or higher than the December 31, 2014 levels; if dividends were reduced, the second performance factor would be deemed to be zero regardless of EPS growth.

For both the 2014 and 2015 PSU grants, each performance factor was weighted equally at 50 per cent and the value of each performance factor was interpolated on the basis of the actual relative returns. All annual average returns or percentages over the three-year performance period were determined on a compounded basis.

### 2014 PSU Grant Results

The following are the actual performance factor results for the three-year period from January 1, 2014 to December 31, 2016:

	Factor 1: Relative Total Shareholder Return (TSR)		Factor 2: Earnings per Share Growth (%)	Overall Performance Factor
	Emera TSR	S&P/TSX Capped Utilities Index TSR		
Year – 2014	31.9%	16.1%	13.8%	
Year – 2015	16.4%	-3.5%	17.5%	
Year – 2016	9.6%	17.6%	5.7%	
Annual Compounded Return	18.9%	9.6%	12.2%	
Emera's Relative TSR	9.3%			
Resulting Performance Factor	1.5 <i>(Weighted at 50%)</i>		1.5 <i>(Weighted at 50%)</i>	1.5

The overall performance factor applied to the 2014 PSU Grant was 1.5, based on the Company achieving stretch on both performance metrics.

The 2014 PSU grant capped the maximum payout to participants at twice the participant's grant value. The cap factors in share price appreciation, notional dividend reinvestment, and the performance factor. Based on the average share price (during the last 50 trading days of 2016) of \$45.41, the performance factor of 1.50, and the dividend reinvestment over the performance period, the payout for the 2014 PSU grant would have been 256 per cent of the grant value for each participant. Accordingly, the cap was triggered and the payouts were reduced to 200 per cent of the grant value for each participant.

### 2015 PSU Grant Results

The following table shows the performance factor results for the three-year period from January 1, 2015 to December 31, 2017:

	Factor 1: Relative Total Shareholder Return (TSR)		Factor 2: Earnings per Share Growth (%)	Overall Performance Factor
	Emera TSR	S&P/TSX Capped Utilities Index TSR		
Year – 2015	16.4%	-3.5%	17.5%	
Year – 2016	9.6%	17.6%	5.7%	
Year – 2017	8.3%	10.6%	-11.2%	
Annual Compounded Return	11.4%	7.9%	3.3%	
Emera's Relative TSR	3.5%			
Resulting Performance Factor	1.35 <i>(Weighted at 50%)</i>		0.67 <i>(Weighted at 50%)</i>	1.01

The overall performance factor applied to the 2015 PSU grant was 1.01, based on Emera's TSR exceeding the TSR of the S&P/TSX Capped Utilities Index by 3.5 per cent and average annual EPS growth being 3.3 per cent.

### 2017 PSU Grant Performance Metrics and Changes to the PSU Plan

With the TECO Energy, Inc. acquisition finalized, the Company reviewed the measures that will most appropriately reflect the long-term success of Emera. Emera's long-term focus will be on cash generation, particularly in light of the impact the acquisition had on the Company's balance sheet and the importance of de-leveraging. Accordingly, the Company is using the following two equally weighted metrics for the 2017 PSU grant:

- (1) EPS growth, which continues to be a fundamental measure of the bottom line profitability of the Company;
- (2) Growth in cash from operations, which measures the Company's success in focusing on cash generation and is a key driver of long-term value for shareholders.

The combination of the two metrics will effectively measure Emera's long-term value creation by balancing both profitability and growth.

In addition to the above metrics, Emera is using TSR as a modifier, where the performance factor resulting from the two metrics can be increased or decreased by 25 per cent based on Emera's TSR compared to the TSR of the S&P/TSX Capped Utilities Index over the three-year performance period. If Emera's TSR is positioned in the top quartile of performance of companies in the S&P/TSX Capped Utilities Index, the performance factor will be increased by 25 per cent; if Emera's TSR is positioned in the bottom quartile, the performance factor will be reduced by 25 per cent. There is no adjustment if Emera's TSR is in the second or third quartile of performance. This allows Emera to focus on its specific business objectives, but still manage shareholder expectations by adjusting the results for relative performance.

The performance factor can range from 0 per cent to 200 per cent. The maximum performance factor is 200 per cent, even with the impact of the performance modifier. If the performance metric results multiplied by the modifier exceed 200 per cent, the performance factor will be capped at 200 per cent.

If Emera's TSR is negative on an absolute basis, then the payout multiplier cannot be above 1.0 (100 per cent), regardless of whether the Company is in the top quartile of performance. This scenario could arise in situations where general market performance of the companies in the S&P/TSX Capped Utilities Index is negative and Emera's TSR is higher while still being negative. This provision helps ensure payouts are reasonable when shareholders experience low returns on their investment.

The Company undertook a comprehensive review of the PSU Plan in 2016 that involved reviewing market practices and industry trends. The review indicated that Emera's PSU Plan was generally below market in two ways:

- the maximum performance factor of 1.5 (150 per cent) was lower than most of our comparator companies; and
- the absolute dollar cap of two-times the grant value for each participant was a unique plan provision that was not market practice, as very few companies impose a dollar cap payout on their long-term incentive plans.

To bring the PSU Plan more in line with market and in light of Emera's pay-for-performance philosophy, the Company approved an increase to the maximum performance factor from 150 per cent to 200 per cent and the removal of the absolute dollar cap. These changes took effect with the 2017 PSU grant.

The performance targets for the PSU awards are used for compensation purposes only and are not suitable for any other purpose. There is no assurance that any performance level will be met. The targets may also constitute forward-looking information. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, any of which are beyond Emera's control, which could cause actual results to differ materially from the performance targets. Please see the cautionary statement in Emera's 2017 Annual Report respecting risks and assumptions relevant to Emera's determination of performance targets for compensation purposes.

### Senior Management Stock Option Plan

The Emera Board has delegated the administration of the Senior Management Stock Option Plan (the "Stock Option Plan") to the MRCC. The MRCC is responsible for designating, based on management's recommendation, which employees of the Company and its affiliates will be eligible to participate in the Stock Option Plan.

Stock options are designed to deliver a percentage of the long-term incentive opportunity for senior management, including the NEOs, and are an important component of competitive executive compensation. Grants are calculated each year based on each executive's long-term incentive target percentage and base salary and, generally, the grant amount increases with the level of responsibility. The Company considers stock options to be in alignment with long-term shareholder interests and the MRCC continues to review the use of options annually. All NEOs participate in the Stock Option Plan and received stock options in 2017 as a part of their long-term incentive.

The Company has historically valued stock options based on the Black-Scholes valuation methodology. However, the MRCC adopted a floor value ratio of 10 per cent in 2015, following a review of market practices on valuation methodologies. If the Black-Scholes methodology leads to a value ratio that is less than 10 per cent, the floor of 10 per cent will apply. All other factors being equal, the use of a higher value ratio leads to fewer options.

For the 2017 stock option grant, the Black-Scholes valuation resulted in a value ratio of 3.9 per cent to 7.2 per cent (the range was dependent on the number of months over which the volatility calculation was measured, from 12 to 120 months). Because the valuation was below 10 per cent, the MRCC applied the floor value ratio, which led to fewer options being granted than if the floor had not been applied. Accordingly, the value of each option granted in 2017 was \$4.52, which was 10 per cent of the closing Emera common share price of \$45.16 on February 15, 2017, the day immediately preceding the grant date. The share price of \$45.16 is also the exercise price for the 2017 grant.

The MRCC considers the application of a 10 per cent floor to be a prudent step to maintaining stock options as a part of the Long-Term Incentive Plan, while reflecting prevailing market conditions.

Stock options vest in 25 per cent increments on the first, second, third, and fourth anniversaries of the grant date. Unless a stock option has expired, vested options may be exercised within the 24 months following the option holder's date of retirement or termination for other than just cause, and within six months following the date of termination for just cause, resignation, or death. If stock options are not exercised within such time, they expire. However, certain senior executives are entitled to an enhanced retirement vesting provision, which allows unvested stock options to continue to vest and be exercised for two years post-retirement. Please see *Termination and Change of Control Benefits* for the NEOs entitlements on retirement.

The maximum percentage of shares under all security-based compensation arrangements (including the Stock Option Plan) issuable to insiders of the Company at any time is 10 per cent of the issued and outstanding shares of the Company. The maximum number of shares to be optioned to any one person under the Stock Option Plan is five per cent of the issued and outstanding shares of the Company at the date of the grant of the option. The number of shares issued to insiders, within any one-year period, under all security-based compensation arrangements, will not exceed 10 per cent of the issued and outstanding shares of the Company.

The Emera Board may amend or discontinue the Stock Option Plan by resolution at any time; provided, however, that shareholder approval is required for any amendment that:

- increases the number of Common Shares reserved for issuance, except an increase made in proportion to an increase in the number of common shares outstanding due to a stock dividend, stock split, amalgamation, reorganization, merger or similar event;
- extends eligibility to participate to non-employee directors;
- permits rights under the Stock Option Plan to be transferred other than for normal estate settlement purposes;
- permits awards to be granted under the Stock Option Plan in addition to options;
- increases either of the ten per cent insider participation limits;
- reduces the option price of an option except for the purpose of maintaining option value in connection with a change of control or pursuant to the provisions in the Stock Option Plan, which permit equitable adjustments to be made to the option price in connection with a stock dividend, stock split, share reclassification, amalgamation, reorganization, merger or similar event;
- extends the term of a stock option beyond the original expiry date;
- permits the expiry of a stock option to be beyond ten years from its date of grant, or;
- deletes or reduces the range of amendments, which require shareholder approval under this paragraph.

The stock options issued under the Stock Option Plan are non-assignable, though the Plan permits transfers from the estate of a deceased option holder to the ultimate beneficiaries. The option can then be exercised by such beneficiaries.

The Company does not provide financial assistance to participants to facilitate the purchase of shares through the Stock Option Plan.

## COMPENSATION OF NSPI NEOs AND RECOVERY IN ELECTRICITY RATES

The Nova Scotia *Public Utilities Act* and the *Nova Scotia Power Incorporated Regulations* (collectively referred to as the *NSPI Regulations*) limit the type and amount of compensation paid to the NEOs that is recoverable in NSPI's electricity rates. Specifically, the *NSPI Regulations*: (1) prohibit any incentive or bonus pay from being included in rates; (2) limit the recoverable portion of a NEO's base salary to a level consistent with the Nova Scotia Government Senior Official Pay Plan; and (3) limit the recoverable portion of any other compensation or benefits to 13 per cent of that base salary. No portion of the compensation or benefits provided to Emera executives is included in NSPI rates.

The following table shows the salary, short-term incentives payouts, PSU payouts and the value of perquisites and other compensation awarded to NEOs in 2017, as well as the portion of those elements of compensation that is recovered in NSPI's electricity rates, in accordance with the *NSPI Regulations*. These compensation figures are also shown in the *Table of compensation excluding compensation securities* and the *Exercise of Compensation Securities by Directors and NEOs* table that follow.

Name and position	Salary (\$)	Recovered in rates (\$)	Annual incentive payout (\$) <sup>(1)</sup>	Recovered in rates (\$)	Performance share unit payout (\$)	Recovered in rates (\$)	Value of perquisites and all other compensation (\$)	Recovered in rates (\$)	Total amount recoverable in rates (\$)
<b>Karen Hutt</b> President & Chief Executive Officer	358,731	207,336	168,582	0	120,019	0	47,236	26,954	234,289
<b>Greg Blunden</b> Chief Financial Officer, Emera Inc.	462,328	0	0	0	183,548	0	117,082	0	0
<b>Bruce Marchand</b> Chief Legal & Compliance Officer, Emera Inc.	404,788	0	93,083	0	346,702	0	142,645	0	0

<sup>(1)</sup> The annual incentive payout does not include any amount allocated to deferred share units. No portion of the incentive entitlements that were allocated to DSUs is recoverable in rates. Please see *Deferred Share Unit Plan* for more information on the annual incentive allocations.

As shown in the table, a portion of Ms. Hutt's base salary was recovered in NSPI electricity rates in 2017, along with a portion of her other benefits and compensation. No portion of the short-term or long-term incentives paid or granted to Ms. Hutt was included in rates. No portion of any of the compensation or benefits provided to Mr. Blunden or Mr. Marchand was included in rates.

Based on the total compensation figures shown in the *Table of compensation excluding compensation securities* and the PSU payout value shown in the *Exercise of Compensation Securities by Directors and NEOs* table that follow, the proportion of total compensation that is recoverable in electricity rates for each of the NEOs is as follows:

Name	Total Compensation, including PSU payouts (\$)	Total amount recoverable in rates (\$)	Percentage of Total Compensation, including PSU payouts, recoverable in rates
Karen Hutt	694,568	234,289	34%
Greg Blunden	762,958	0	0%
Bruce Marchand	987,218	0	0%

The compensation payable to each NEO and Director is shown below. The table excludes compensation securities, as those are provided in the *Table of compensation excluding compensation securities* that follows. The compensation figures shown in the table for Mr. Blunden, Mr. Marchand and Mr. Balfour were paid by Emera Inc. A portion of the compensation figures shown for Ms. Hutt for 2016 were paid by Emera Inc., as she did not commence employment with NSPI until August 1, 2016.

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$) <sup>(1)(2)</sup>	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$) <sup>(3)</sup>	Total compensation (\$) <sup>(4)</sup>
<b>Karen Hutt</b> President and Chief Executive Officer and Director	2017	358,731	168,582	-	21,656	25,580	574,549
	2016	319,500	317,544	-	18,668	22,601	678,313
<b>Greg Blunden</b> Chief Financial Officer, Emera Inc.	2017	462,328	-	-	21,196	95,886	579,410
	2016	379,615	122,984	-	20,310	79,093	602,002
<b>Bruce Marchand</b> Chief Legal & Compliance Officer, Emera Inc.	2017	404,788	93,083	-	13,196	129,449	640,516
	2016	398,077	-	-	13,806	128,740	540,623
<b>Scott Balfour</b> <sup>(5)</sup> Board Chair	2017	-	-	-	-	-	-
	2016	547,115	230,999	-	26,753	193,138	998,005
<b>Lee Bragg</b> Director	2017	42,034	-	-	-	-	42,034
	2016	18,750	-	31,000	-	-	49,750
<b>Sandra Greer</b> Director	2017	877	-	10,750	-	-	11,627
	2016	-	-	34,500	-	-	34,500
<b>Christopher Huskison</b> Director	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
<b>Raymond Ivany</b> Director	2017	-	-	-	-	-	-
	2016	-	-	-	-	-	-
<b>Marie Rounding</b> Director	2017	57,047	-	10,750	-	875	68,672
	2016	34,449	-	49,424	-	4,375	88,248

<sup>(1)</sup> In 2017, Ms. Hutt participated in the NSPI Corporate Scorecard. Mr. Blunden and Mr. Marchand participated in the Emera Corporate Scorecard.

<sup>(2)</sup> The bonus figures provided reflect the short-term incentive paid to the executive in cash. The payouts were based on the Emera Scorecard result of 76.6 per cent and the NSPI Scorecard result of 133.8 per cent. The Short-Term Incentive Plan and the 2017 results are described in greater detail in *Short-Term Incentive Program*. The figures shown reflect amounts earned in the 2017 performance year and paid in 2018. For the 2017 performance year, Ms. Hutt elected to receive 30 per cent of her annual incentive payout in DSUs, Mr. Blunden elected to receive 100 per cent in DSUs and Mr. Marchand elected to receive 50 per cent in DSUs. Please see *Deferred Share Unit Plan* for more information on the annual incentive allocations.

<sup>(3)</sup> The 'value of all other compensation' figures for NEOs include changes in the accrued obligations of the NEOs' pension entitlements.

<sup>(4)</sup> Ms. Hutt, Mr. Balfour and Mr. Huskison did not receive any additional compensation as directors of NSPI.

<sup>(5)</sup> Mr. Balfour was an NEO of NSPI for 2016, so his 2016 compensation amounts are shown, although Emera paid all these amounts. He was not an NEO of NSPI for 2017.

The following table shows the compensation securities granted to each NEO and director in 2017:

Compensation Securities									
Name and position	Type of compensation security	Description	Number of compensation securities, number of underlying securities, and percentage class <sup>(1)</sup>		Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
<b>Karen Hutt</b> President & Chief Executive Officer and Director	Performance Share Units <sup>(2)</sup>	2017 Grant	3,572	0.00156%	1-Jan-17	45.41	45.39	46.98	N/A
		Q1 Dividend	92	0.00004%	15-Feb-17	45.87	45.45	46.98	N/A
		Q2 Dividend	90	0.00004%	15-May-17	47.19	47.02	46.98	N/A
		Q3 Dividend	92	0.00004%	15-Aug-17	46.84	47.29	46.98	N/A
		Q4 Dividend	98	0.00004%	15-Nov-17	48.05	47.40	46.98	N/A
	Stock Options <sup>(3)</sup>	2017 Grant	11,900	0.32660%	15-Feb-17	45.16	45.45	46.98	14-Feb-27
	Deferred Share Units <sup>(4)</sup>	Short-term incentive allocation <sup>(3)</sup>	2,536	0.00111%	1-Jan-17	45.41	45.39	46.98	N/A
		Q1 Dividend	30	0.00001%	15-Feb-17	45.87	45.45	46.98	N/A
		Q2 Dividend	29	0.00001%	15-May-17	47.19	47.02	46.98	N/A
		Q3 Dividend	30	0.00001%	15-Aug-17	46.84	47.29	46.98	N/A
Q4 Dividend		32	0.00001%	15-Nov-17	48.05	47.40	46.98	N/A	
<b>Greg Blunden</b> Chief Financial Officer, Emera Inc.	Performance Share Units <sup>(2)</sup>	2017 Grant	11,152	0.00487%	1-Jan-17	45.41	45.39	46.98	N/A
		Q1 Dividend	228	0.00010%	15-Feb-17	45.87	45.45	46.98	N/A
		Q2 Dividend	224	0.00010%	15-May-17	47.19	47.02	46.98	N/A
		Q3 Dividend	228	0.00010%	15-Aug-17	46.84	47.29	46.98	N/A
		Q4 Dividend	243	0.00011%	15-Nov-17	48.05	47.40	46.98	N/A
	Stock Options <sup>(3)</sup>	2017 Grant	37,300	1.02372%	15-Feb-17	45.16	45.45	46.98	14-Feb-27
	Deferred Share Units <sup>(4)</sup>	Short-term incentive allocation <sup>(3)</sup>	2,709	0.00124%	1-Jan-17	45.41	45.39	46.98	N/A
		Q1 Dividend	135	0.00006%	15-Feb-17	45.87	45.45	46.98	N/A
		Q2 Dividend	132	0.00006%	15-May-17	47.19	47.02	46.98	N/A
		Q3 Dividend	135	0.00006%	15-Aug-17	46.84	47.29	46.98	N/A
Q4 Dividend		144	0.00006%	15-Nov-17	48.05	47.40	46.98	N/A	
<b>Bruce Marchand</b> Chief Legal & Compliance Officer, Emera Inc.	Performance Share Units <sup>(2)</sup>	2017 Grant	9,697	0.00424%	1-Jan-17	45.41	45.39	46.98	N/A
		Q1 Dividend	253	0.00011%	15-Feb-17	45.87	45.45	46.98	N/A
		Q2 Dividend	249	0.00008%	15-May-17	47.19	47.02	46.98	N/A
		Q3 Dividend	254	0.00011%	15-Aug-17	46.84	47.29	46.98	N/A
		Q4 Dividend	270	0.00012%	15-Nov-17	48.05	47.40	46.98	N/A
	Stock Options <sup>(3)</sup>	2017 Grant	32,500	0.89198%	15-Feb-17	45.16	45.45	46.98	14-Feb-27
	Deferred Share Units <sup>(4)</sup>	Short-term incentive allocation <sup>(3)</sup>	6,342	0.00277%	1-Jan-17	45.41	45.39	46.98	N/A
		Q1 Dividend	249	0.00011%	15-Feb-17	45.87	45.45	46.98	N/A
		Q2 Dividend	245	0.00011%	15-May-17	47.19	47.02	46.98	N/A
		Q3 Dividend	249	0.00011%	15-Aug-17	46.84	47.29	46.98	N/A
Q4 Dividend		266	0.00012%	15-Nov-17	48.05	47.40	46.98	N/A	
<b>Scott Balfour</b> <sup>(6)</sup> Board Chair	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Lee Bragg</b> Director	Deferred Share Units	Q1 Fees	221	N/A	31-Mar-17	45.39	46.98	46.98	N/A
		Q2 Fees	233	N/A	30-Jun-17	45.39	48.21	46.98	N/A
		Q3 Fees	236	N/A	30-Sep-17	45.39	47.26	46.98	N/A
		Q4 Fees	236	N/A	31-Dec-17	45.39	46.98	46.98	N/A
		Q1 Dividend	128	N/A	15-Feb-17	45.45	45.45	46.98	N/A
		Q2 Dividend	127	N/A	15-May-17	47.02	47.02	46.98	N/A
		Q3 Dividend	131	N/A	15-Aug-17	47.29	47.29	46.98	N/A
		Q4 Dividend	145	N/A	15-Nov-17	47.40	47.40	46.98	N/A
<b>Sandra Greer</b> Director	Deferred Share Units	Q1 Fees	422	N/A	31-Mar-17	45.39	46.98	46.98	N/A
		Q2 Fees	467	N/A	30-Jun-17	45.39	48.21	46.98	N/A
		Q3 Fees	472	N/A	30-Sep-17	45.39	47.26	46.98	N/A
		Q4 Fees	472	N/A	31-Dec-17	45.39	46.98	46.98	N/A
		Q1 Dividend	61	N/A	15-Feb-17	45.45	45.45	46.98	N/A
		Q2 Dividend	65	N/A	15-May-17	47.02	47.02	46.98	N/A
		Q3 Dividend	70	N/A	15-Aug-17	47.29	47.29	46.98	N/A
		Q4 Dividend	82	N/A	15-Nov-17	47.40	47.40	46.98	N/A

Name and position	Type of compensation security	Description	Number of compensation securities, number of underlying securities, and percentage class <sup>(1)</sup>		Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date
Raymond Ivany Director	Deferred Share Units	Q1 Fees	584	N/A	31-Mar-17	45.39	46.98	46.98	N/A
		Q2 Fees	467	N/A	30-Jun-17	45.39	48.21	46.98	N/A
		Q3 Fees	511	N/A	30-Sep-17	45.39	47.26	46.98	N/A
		Q4 Fees	472	N/A	31-Dec-17	45.39	46.98	46.98	N/A
		Q1 Dividend	179	N/A	15-Feb-17	45.45	45.45	46.98	N/A
		Q2 Dividend	182	N/A	15-May-17	47.02	47.02	46.98	N/A
		Q3 Dividend	187	N/A	15-Aug-17	47.29	47.29	46.98	N/A
		Q4 Dividend	210	N/A	15-Nov-17	47.40	47.40	46.98	N/A
Christopher Huskison <sup>(6)</sup> Director	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A
Marie Rounding Director	Deferred Share Units	Q1 Fees	197	N/A	31-Mar-17	45.39	46.98	46.98	N/A
		Q2 Fees	140	N/A	30-Jun-17	45.39	48.21	46.98	N/A
		Q3 Fees	153	N/A	30-Sep-17	45.39	47.26	46.98	N/A
		Q4 Fees	158	N/A	31-Dec-17	45.39	46.98	46.98	N/A
		Q1 Dividend	215	N/A	15-Feb-17	45.45	45.45	46.98	N/A
		Q2 Dividend	212	N/A	15-May-17	47.02	47.02	46.98	N/A
		Q3 Dividend	215	N/A	15-Aug-17	47.29	47.29	46.98	N/A
		Q4 Dividend	236	N/A	15-Nov-17	47.40	47.40	46.98	N/A

- (1) Each PSU, stock option and DSU represent one underlying Emera common share. PSUs and DSUs granted to executives are typically settled in cash under the terms of the PSU Plan and the DSU Plan applicable to executives. DSUs granted to directors can only be settled in cash under the terms of the Directors' DSU Plan. For PSUs and DSUs awarded to executives, the percentage of class is calculated by dividing the applicable units by the outstanding Emera common shares as at December 31, 2017 (228,780,000). For stock options, the percentage of class is calculated by dividing the applicable options by the number of outstanding options as at December 31, 2017 (3,643,575).
- (2) The grant value of PSUs granted in 2017 was based on the average 50 trading-day closing share price up to December 31, 2016 (\$45.41). The 50-day share price average is used for PSU grants to smooth out any short-term fluctuations in share price preceding the grant date. The value of PSUs on payout is subject to the achievement of specific performance objectives over the three-year performance period from January 1, 2017, to December 31, 2019. If those objectives are not met, payouts may be less than the initial value of the grant noted above (or there may not be any payout at all) and if performance objectives are exceeded, the payout may be higher than the amount noted above. The closing price at year-end is based on the closing price of Emera common shares as at December 31, 2017; however, the share price used to calculate the PSU payout will be based on the average 50 trading-day closing share price at the end of the performance period. The issue price for dividends is based on the average 5 trading-day closing share price immediately preceding the dividend payment date. For more information on PSUs, please see *Performance Share Unit Plan*.
- (3) The value of the stock options granted in 2017 was determined to be equal to 10 per cent of the February 14, 2017 closing share price of \$45.16 or \$4.52 per option. The Company has adopted a floor value ratio of 10; if the Black-Scholes methodology leads to a value ratio that is less than 10 per cent, the floor of 10 per cent will apply. The Black-Scholes valuation for 2017 resulted in a value ratio of 3.9 per cent to 7.2 per cent, using an estimated dividend yield of 4.5 per cent, and a risk-free interest rate of 1.73 per cent. The range was dependent on the number of months over which the volatility calculation was measured, from 12 to 120 months, which led to volatility measurements from 12.3 per cent to 16.7 per cent. Because the Black-Scholes valuation was below 10 per cent, the floor of 10 per cent was used to value stock options in 2017, which led to fewer options being granted than if the floor had not been applied. For more information on stock options, please see *Senior Management Stock Option Plan*.
- (4) The grant value of DSUs granted in 2017 was based on the average 50 trading-day closing share price up to December 31, 2016 (\$45.41). The 50-day share price average is used for DSU grants to smooth out any short-term fluctuations in share price preceding the grant date. The closing price at year-end is based on the closing price of Emera common shares as at December 31, 2017; however, the share price used to calculate the DSU payout will be based on the average 50 trading-day closing share price immediately preceding the payout date, which cannot occur until the executive leaves the employment of Emera or its affiliates. The issue price for dividends is based on the average 5 trading-day closing share price immediately preceding the dividend payment date. For more information on DSUs, please see *Deferred Share Unit Plan*.
- (5) The grant value of DSUs granted to Directors in 2017 was based on the closing price on Emera common shares on December 31, 2016 (\$45.39). Directors cannot settle DSUs until they leave the Board.
- (6) Ms. Hutt did not receive any additional compensation for her services as Directors of NSPI. Mr. Huskison, Emera's President and CEO, and Mr. Balfour, Emera's Chief Operating Officer are compensated by Emera and do not receive any additional compensation as Directors of NSPI.

The following table shows the compensation securities exercised by directors and NEOs in 2017:

Exercise of Compensation Securities by Directors and NEOs							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of exercise	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total value on exercise date (\$)
Karen Hutt President & Chief Executive Officer and Director	Performance Share Units <sup>(1)</sup>	2,258	45.41	1-Jan-17	45.39	-0.02	120,019
Greg Blunden Chief Financial Officer, Emera Inc.	Performance Share Units <sup>(1)</sup>	3,454	45.41	1-Jan-17	45.39	-0.02	183,548
Bruce Marchand Chief Legal & Compliance Officer, Emera Inc.	Performance Share Units <sup>(1)</sup>	6,524	45.41	1-Jan-17	45.39	-0.02	346,702
	Stock Options	16,300	34.80	12-Sep-17	47.04	12.24	199,512

- (1) The value of PSUs exercised in 2017 is based on the 2014 PSU grant, which had a three-year performance period from January 1, 2014 to December 31, 2016. The 2014 PSU grant was deemed to be paid out on January 1, 2017. The payout is calculated based on the original grant with accumulated dividends, multiplied by the performance factor, multiplied by the average closing share price for the last 50 trading days of 2016 (\$45.41). The 50-day share price average is used to smooth out any short-term fluctuations in share price preceding the payout date. The performance factor for the 2014 PSU grant was based on Emera's total shareholder return relative to the S&P/TSX Capped Utilities Index and Emera's average annual growth in EPS. The overall performance factor result was 1.5. Payouts were capped at twice the participant's grant value, factoring in share price appreciation, notional dividend reinvestment, and the performance factor. Please see *Performance Share Unit Plan* for more details.

No portion of the total value realized by the NEOs through the payout of securities was included in rates.

## Pension Plan Benefits

The Company has adopted a Pension Governance Framework that sets out the structure and processes for overseeing the management and administration of all pension plans sponsored or administered by Emera and its affiliates to ensure that the liabilities associated with such pension plans are being appropriately managed.

The NEOs are members of the Canadian corporate pension plan (Pension Plan) and participate on either a defined benefit basis or a defined contribution basis.

## Defined Benefit

The following table shows years of credited service, estimated pension amounts, and changes to accrued obligations from January 1, 2017 to December 31, 2017 for the NEOs who participated in the Pension Plan on a defined benefit basis.

Name	Years of credited service (#)	Annual Benefits Payable		Accrued obligation at the start of the year (\$)	Compensatory Change (\$) <sup>(2)</sup>	Non-Compensatory Change (\$) <sup>(2)</sup>	Accrued obligation at year end (\$) <sup>(3)</sup>
		At year end (\$) <sup>(1)</sup>	At age 65 (\$)				
Greg Blunden <sup>(4)</sup>	1.3	12,000	12,000	208,000	57,000	22,000	287,000
Bruce Marchand	6.0	50,000	88,000	682,000	126,000	176,000	984,000

- (1) Mr. Marchand was eligible for an immediate pension at year-end, while Mr. Blunden was not eligible for an immediate pension at year-end. The amount shown is the accrued pension starting at the NEO's unreduced retirement date if the NEO terminated employment at December 31, 2017.

- (2) The compensatory and non-compensatory changes are described in more detail below.

- (3) The accrued pension obligation is calculated following the method prescribed under US GAAP (section 715 of the standards of the Financial Accounting Standards Board) and by the Canadian Institute of Chartered Accountants and is based on management's best estimate of future events that affect the cost of pensions, including assumptions about future salary adjustments and short-term incentive awards.

- (4) Mr. Blunden accrues future benefits under the defined contribution component of the Pension Plan and has frozen service under the defined benefit component of the Pension Plan.

The accrued obligation of a pension entitlement is the present value of the expected future annual benefits payable taking into account service accrued to date and the expected salaries used to determine the annual benefit payable at retirement. Each year the value of the accrued obligation changes as a result of compensatory changes and non-compensatory changes, which are shown in the table above.

Compensatory changes are caused by changes in the annual benefit payable and result primarily from three factors: (i) new accrued service (the employer current service cost); (ii) the impact of salary increases greater than expected on past benefits (estimated increases are already built into the accrued benefit obligation), and (iii) plan changes impacting, for example, accrued service or when benefits are payable. There were no Pension Plan changes that materially affected the above figures in 2017.

Non-compensatory changes are caused by interest on the accrued obligation and current service cost, employee required contributions and changes in the assumptions used to calculate the present value of the future annual benefit payment stream. These assumptions include the mortality table, salary scale, retirement assumption and the inflation assumption used for calculating indexing and the discount rate. The non-compensatory changes in 2017 were driven largely by the change in the discount rate assumption from 3.84 per cent as at December 31, 2016 to 3.50 per cent as at December 31, 2017, as well as interest on the accrued obligation and current service cost. A decrease in the discount rate results in a higher obligation, all other things being equal.

The defined benefit component of the Pension Plan entitles members to pension benefits based on two per cent of the average of the member's five highest years of pensionable earnings, multiplied by each year of credited service to a maximum of 35 years credited service.

For the NEOs, pensionable earnings include base salary plus up to 50 per cent of their target short-term incentive. Upon reaching age 65, pension benefits under the Pension Plan are reduced by an amount approximately equal to the amount payable under the Canada Pension Plan. For members who retire from active service, the pension is payable on an unreduced basis upon the earlier of age 60 or age 55, provided that age and years of service add to at least 85. For members who joined the Pension Plan on or after July 1, 2004, the age 60 unreduced retirement age condition is replaced by age 62 with 15 years of service. A member may also retire on a reduced formula if the member has attained age 55, but does not qualify for an unreduced pension. Spousal benefits are paid on the death of a member at the rate of 60 per cent of regular pension benefits. Pensions are indexed to the consumer price index to a maximum of six per cent per annum.

For 2017, members of the defined benefit component of the plan contributed 7.4 per cent of eligible earnings up to the year's maximum pensionable earnings (YMPE) under the Canada Pension Plan, and 9.5 per cent of earnings between the YMPE and the amount on which pension benefits may be earned under a registered pension plan as permitted by the Income Tax Act (Canada).



Due to Canada Revenue Agency's limitations on the maximum pension benefit that may be paid under the Pension Plan, a portion of the pension the NEOs earned after January 1, 1992 is provided under the terms of a supplemental employee retirement plan (Supplementary Retirement Plan), which is unfunded but secured by a letter of credit deposited in a retirement compensation trust. The Supplementary Retirement Plan is non-contributory. The Supplementary Retirement Plan generally mirrors the terms of the Pension Plan, with the exception that benefits earned on service in the SERP after December 31, 2017 are not indexed on retirement. The Company does not grant additional years of credited service to NEOs under the Pension Plan or Supplementary Retirement Plan.

The defined benefit component of the Pension Plan was closed to new non-union employees hired after January 8, 2013 and to new union employees hired after October 31, 2014. The defined benefit component of the Supplementary Retirement Plan was closed to new entrants as of December 31, 2017. Any employees who become eligible to participate in the Supplementary Retirement Plan after December 31, 2017 will participate in the defined contribution component.

### Defined Contribution

The following table shows the changes to accumulated value from January 1, 2017 to December 31, 2017 for the NEOs who participated in the Pension Plan on a defined contribution basis:

Name	Accumulated Value at Start of Year (\$)	Compensatory Change (\$) <sup>(1)</sup>	Non-Compensatory Change (\$) <sup>(2)</sup>	Accumulated Value at End of Year (\$)
Karen Hutt	419,000	22,000	67,000	508,000
Greg Blunden <sup>(3)</sup>	531,000	34,000	65,000	630,000

<sup>(1)</sup> The compensatory change is the value of Company contributions made based on the defined contribution component of the Plan.

<sup>(2)</sup> The non-compensatory change is the value of employee contributions to the Plan, along with investment earnings.

<sup>(3)</sup> Mr. Blunden accrues future benefits under the defined contribution component of the Pension Plan and has frozen service under the defined benefit component of the Pension Plan.

Under the defined contribution component of the Pension Plan, the Company contributes a base amount of three per cent of the participant's eligible earnings into the participant's account each pay period. Plan participants can also make contributions of up to six per cent of their eligible earnings to the defined contribution component, with the Company matching half of these contributions. Accordingly, the maximum Company contribution to each participant's defined contribution account, factoring in the base amount and the matching contribution, is six per cent of the participant's eligible earnings. Canada Revenue Agency limits apply to limit the amount of contributions that can be made under the defined contribution component and, as with the defined benefit component, a portion of the pension an NEO earns in the defined contribution component may be provided under the terms of a Supplementary Retirement Plan.

Ms. Hutt and Mr. Blunden participated in the defined contribution component of the Pension Plan in 2017. Both Ms. Hutt and Mr. Blunden contributed six per cent of their respective base salaries into the Pension Plan up to the amount permitted under the Income Tax Act, which equated to \$13,115 each. The Company also contributed \$13,115 to each executive's registered defined contribution account. In addition, the Company maintains an account for any Company contributions which would be made in the absence of the Income Tax Act limits, through the Supplementary Retirement Plan. For 2017, the additional Company contribution for Mr. Hutt was \$8,409 and for Mr. Blunden was \$20,720.

Upon ending active employment with the Company at any age between 55 and 65, plan participants in the defined contribution component of the Pension Plan may start receiving retirement income through the purchase of a life annuity or by converting their account to a life income fund.

The defined contribution component of the Pension Plan is administered on behalf of the Company by a major Canadian insurance company, which acts in accordance with the provisions of the defined contribution component of the Pension Plan, the Income Tax Act, and the Nova Scotia Pension Benefits Act.

### Changes to the Supplementary Retirement Plan

In 2016, with the assistance of Morneau Shepell, the Company conducted a review of the Supplementary Retirement Plan and made changes that took effect in 2017. The review focused on market competitiveness, plan design, and equity between defined benefit and defined contribution plan members. Based on the findings from the review, the MRCC approved the following changes to the Supplementary Retirement Plan, which were effective as of December 31, 2017:

- the defined benefit component was closed to new entrants;
- indexing of future service was removed from the defined benefit component; and
- the Company contribution in the defined contribution component was increased from a maximum of six per cent to a maximum of 12 per cent of pensionable earnings.

The above changes will result in cost savings to the Company and increase the parity between defined benefit and defined contribution members while still ensuring the supplementary pension plan remains market competitive.

## Deferred Share Unit Plan

The Deferred Share Unit (DSU) Plan is another component of Emera's long-term incentive program for senior leaders. A DSU is a notional share unit that is based on the value of an Emera common share – the value of a DSU changes directly in correlation to an Emera share and earns dividend equivalents in the form of additional DSUs. When a dividend is paid on Emera's common shares, each participant's DSU account is allocated additional DSUs based on the dividend paid on an equivalent number of Emera common shares. DSUs are not paid out until such time as the participant is no longer employed by the Company or any of its affiliates. When redeemed, the value of a participant's DSUs is equivalent to the fair market value of an equal number of common shares of the Company.

The DSU Plan is intended to facilitate achievement of share ownership guidelines without diluting the shareholder base. Prior to the start of each performance year, each plan participant may elect to defer some or all of the short-term incentive payout associated with that performance year in the form of DSUs. When the short-term incentive is paid to the NEOs, the portion elected is allocated to DSUs rather than paid in cash. Since DSUs are principally an income deferral mechanism, there are no performance metrics attributable to DSUs.

Following a participant's departure from the Company and on a date selected by the participant not later than December 15 of the next calendar year after departure, the value of the participant's DSUs is calculated by multiplying the number of DSUs in the participant's account by the average closing Emera common share price for the 50 trading days preceding the payout date (the 50-day average is used to smooth out any short-term price fluctuations).

In addition, special DSU awards may be made from time to time by the MRCC to selected executives and senior management to recognize singular achievements or the achievement of certain corporate objectives. No such special DSU awards were granted to the NEOs in 2017.

## DSU Plan Allocations

The table below identifies how much of the short-term incentive for 2016 and 2017 that each NEO elected to allocate to DSUs:

Name	2017		2016	
	Percentage of annual incentive allocated to deferred share units (%)	Dollar amount of annual incentive allocated to deferred share units (\$) <sup>(1)</sup>	Percentage of annual incentive allocated to deferred share units (%)	Dollar amount of annual incentive allocated to deferred share units (\$) <sup>(1)</sup>
Karen Hunt	30	72,258	0	0
Greg Blunden	100	250,232	50	123,016
Bruce Marchand	50	93,055	100	287,990

<sup>(1)</sup> The DSU allocations are rounded to the nearest whole unit, so the value of DSUs may vary slightly from the amount of short-term incentive payout allocated.

## Other Executive Benefits

The Company provides executives with additional benefits in accordance with the compensation program objectives. As part of their compensation and consistent with market practice, executives, including the NEOs, are eligible to receive:

- annual income tax return preparation;
- monthly parking;
- monthly car allowance plus mileage, as applicable; and
- annual wellness/fitness allowance.

In some cases, the above entitlements are bundled into an annual perquisite allowance, which is paid out in cash in equal bi-weekly instalments over the course of the year.

Executives are also eligible to participate in the Employee Common Share Purchase Plan, which allows employees of Emera and its affiliates to purchase Emera common shares through regular payroll deductions or lump-sum payments. Participants can contribute up to \$8,000 per year and the Company will match 20 per cent of the first \$3,000 in contributions, and 10 per cent of any contributions between \$3,000 and \$8,000.

These benefits are considered taxable benefits and are reported in the *Table of compensation excluding compensation securities*.

### Termination and Change of Control Benefits

The following table provides the estimated amounts of incremental payments, payables and benefits to which each NEO would be entitled based on differing departure scenarios—resignation, termination for cause, termination without cause, separation from the Company in circumstances of a change of control, and retirement, assuming the triggering event took place on December 31, 2017.

Name	Departure scenario <sup>(1)</sup>	Cash severance (\$)	Short-term incentive (\$)	Performance share units (PSUs) (\$) <sup>(2)</sup>	Stock options (\$)	Continuation of benefits (present value) (\$) <sup>(3)</sup>	Total (\$)
Karen Hutt	Resignation	-	-	-	-	-	-
	Termination for cause	-	-	-	-	-	-
	Termination without cause	360,000	180,000	156,420	-	2,549	698,969
	Change of control	360,000	180,000	156,420	-	2,549	698,969
	Retirement	-	-	-	-	-	-
Greg Blunden	Resignation	-	-	-	-	-	-
	Termination for cause	-	-	-	-	-	-
	Termination without cause	500,000	350,000	393,543	-	4,974	1,248,517
	Change of control	500,000	350,000	393,543	-	4,974	1,248,517
	Retirement	-	-	-	-	-	-
Bruce Marchand	Resignation	-	-	-	-	-	-
	Termination for cause	-	-	-	-	-	-
	Termination without cause	607,500	364,500	382,957	-	4,207	1,359,164
	Change of control	607,500	364,500	382,957	-	4,207	1,359,164
	Retirement	-	-	-	-	-	-

<sup>(1)</sup> Please see the tables following for a description of the entitlements of each NEO under the various departure scenarios.

<sup>(2)</sup> Payouts for PSUs assume a performance factor of 1.0 and are valued using the average closing share price for the last 50 trading days of 2017 (\$48.14).

<sup>(3)</sup> Continuation of benefits may reflect amounts for health and dental benefits and insurance benefits, pursuant to the terms of the NEOs' employment contracts, as applicable.

The following is a summary of the entitlements on departure afforded to each NEO under his or her employment contract or the applicable plans as of December 31, 2017:

<b>Karen Hutt</b>	
Resignation	All unvested PSUs and stock options are forfeited.
Terminated for cause	All unvested PSUs and stock options are forfeited.
Terminated without cause	Entitled to a lump sum equal to 12 months' compensation based upon annual salary and short-term incentive at target. Health, dental and other such benefits will be continued for up to 12 months. Unvested PSUs are prorated to the date of termination and paid out assuming a performance factor of 1.0. Unvested stock options are forfeited.
Change of control	If there is a change of control of the ownership of Emera, such that any one party acquires 50 per cent or more of voting securities and there is a substantial reduction in responsibilities or scope of authority, Ms. Hutt may elect, within three months following such substantial reduction in responsibilities or scope or authority, to terminate employment and receive 12 months' compensation calculated on the basis of her annual salary and short-term incentive at target. Health, dental and other such benefits will be continued for up to 12 months. Unvested PSUs are prorated to the date of termination and paid out assuming a performance factor of 1.0. Unvested stock options are forfeited.
Retirement	Ms. Hutt becomes eligible to retire as of November 30, 2021. Information regarding pension entitlement is contained in <i>Pension Plan Benefits</i> . PSUs continue to be eligible to vest in accordance with the applicable performance criteria and will be paid out on a prorated basis upon vesting. Unvested stock options are forfeited.
<b>Greg Blunden</b>	
Resignation	All unvested PSUs and stock options are forfeited.
Terminated for cause	All unvested PSUs and stock options are forfeited.
Terminated without cause	Entitled to a lump sum equal to 12 months' compensation based upon annual salary and short-term incentive at target. Health, dental and other such benefits will be continued for up to 12 months. Unvested PSUs are prorated to the date of termination and paid out assuming a performance factor of 1.0. Unvested stock options are forfeited.
Change of control	If there is a change of control of the ownership of Emera, such that any one party acquires 50 per cent or more of voting securities and there is a substantial reduction in responsibilities or scope of authority, Mr. Blunden may elect, within three months following such substantial reduction in responsibilities or scope of authority, to terminate employment and receive 12 months' compensation based upon annual salary and short-term incentive at target. Health, dental and other such benefits will be continued for up to 12 months. Unvested PSUs are prorated to the date of termination and paid out assuming a performance factor of 1.0. Unvested stock options are forfeited.
Retirement	Mr. Blunden becomes eligible to retire with an unreduced pension as of December 31, 2024. Information regarding pension entitlement is contained in <i>Pension Plan Benefits</i> . PSUs continue to be eligible to vest in accordance with the applicable performance criteria and will be paid out on a prorated basis upon vesting. Unvested stock options are forfeited.

<b>Bruce Marchand</b>	
Resignation	All unvested PSUs and stock options are forfeited.
Terminated for cause	All unvested PSUs and stock options are forfeited.
Terminated without cause	Entitled to a lump sum equal to 18 months' compensation based upon annual salary and annual incentive at target. Health, dental and other such benefits will be continued for up to 12 months. Unvested PSUs are prorated to the date of termination and paid out based on an estimated future value. Unvested stock options are forfeited.
Change of control	If there is a change of control of the ownership of Emera, such that any one party acquires 50 per cent or more of voting securities and there is a substantial reduction in responsibilities or scope of authority, Mr. Marchand may elect, within three months following such substantial reduction in responsibilities or scope or authority, to terminate employment and receive 18 months' compensation calculated on the basis of his annual salary, short-term incentive at target. Health, dental and other such benefits will be continued for up to 12 months. Unvested PSUs are prorated to the date of termination and paid out based on an estimated future value. Unvested stock options are forfeited.
Retirement	Mr. Marchand becomes eligible to retire with an unreduced pension as of June 30, 2022. Information regarding pension entitlement is contained in <i>Pension Plan Benefits</i> . PSUs continue to be eligible to vest for two years following retirement in accordance with the applicable performance criteria. Unvested stock options continue to be eligible to vest for two years past retirement. Any stock options that have not vested within two years of retirement are forfeited. All vested stock options must be exercised by the earlier of (a) two years from the date of retirement; and (b) 10 years from the original grant date.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Emera has established equity compensation plans which apply to the Company. See *Statement of Executive Compensation* in Emera's Management Information Circular dated March 8, 2017, and which is available under Emera's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The Company does not have a program that allows for the provision of loans to Directors or Officers, and the Company is not intending to initiate such a program. In addition, there is no program to allow loans or indebtedness under any share purchase program. As of the date of this Circular, there was no indebtedness of the Directors to the Company. As of the date of this Circular, except for routine indebtedness, there is no indebtedness of Executive Officers and other employees to the Company.<sup>1</sup>

#### MATERIAL TRANSACTIONS

During the most recently completed financial year, insiders of the Company and its affiliates, including Directors, executive officers, proposed Director nominees or their associates or corporations they controlled, did not have any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or will materially affect the Company.

#### MANAGEMENT CONTRACTS

There are no functions of management that are performed by a person or company other than the Directors, executive officers or other employees of the Company.

#### OTHER MATTERS

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

#### ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact Stephen Aftanas, the Company's Corporate Secretary, to request copies of the Company's financial statements and management's discussion and analysis ("MD&A") for the fiscal year ended December 31, 2017. Financial information is provided in the Company's annual financial statements and MD&A.

#### APPROVAL OF THIS CIRCULAR

The Board of Directors has approved the contents of this Circular and has authorized it to be sent to the shareholders of the Company.

DATED at Halifax, Nova Scotia, this 15<sup>th</sup> day of March, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Stephen Aftanas"

Corporate Secretary

<sup>1</sup> "Routine indebtedness" includes: (i) loans made on terms no more favourable than loans to employees generally, for which the amount remaining unpaid does not exceed \$50,000; (ii) loans to full-time employees, fully secured against their residence and not exceeding their annual salary; and (iii) loans for purchases on usual trade terms, or for ordinary travel or expense advances, or similar reasons, with repayment arrangements in accordance with usual commercial practice.

## Appendix A

### NOVA SCOTIA POWER INCORPORATED BOARD OF DIRECTORS CHARTER

The fundamental responsibility of the Board of Directors (the “Board”) is to provide stewardship and governance to Nova Scotia Power Incorporated (“NSPI”) to ensure the viability of the Company by overseeing management of the business.

In addition to the powers and duties set out in NSPI’s Articles of Association, the Board shall have oversight responsibility for the following duties and responsibilities.

#### **Independence and Integrity**

The Board shall be comprised of a majority of “independent directors” as defined from time to time under applicable legislation and the rules of any stock exchange on which NSPI’s securities are listed for trading.

The Board shall review any transaction with a value equal to or greater than \$2 million (CDN) under which it is proposed that NSPI acquire or provide to an affiliate of NSPI any goods, services, leases, asset transfers or other exchanges of value, other than energy and fuel transactions with affiliates. All such affiliate transactions will require the approval of a majority of the independent directors of the Board in order to be approved by the Board. For greater certainty, energy and fuel transactions with affiliates (whether greater than \$2 million (CDN) or not) are not among the affiliate transactions that require review by the Board or the approval of a majority of the independent directors of the Board.

If a director becomes aware of any actual or potential conflict between their duties or obligations to NSPI and any other company of which they are a director, officer or employee, the director will inform the Board of such conflict. If the Board determines there is a conflict, the director will recuse them self from any deliberations by the Board on matters involving the conflict.

The Board shall review and approve standards for ethical business conduct for employees, officer and directors of NSPI and a procedure for monitoring compliance with such code throughout the Company.

The Board shall satisfy itself as to the integrity of the President and Chief Executive Officer and executive officers and the creation of an integrity-based culture throughout the Company.

The Board shall, through its oversight of management, continue to foster an organization which operates in a safe and environmentally responsible manner.

#### **Strategic Planning**

The Board shall provide oversight and guidance on the strategic issues facing NSPI.

The Board shall oversee a strategic planning process resulting in a strategic plan which shall be approved on an annual basis and will take into account, among other things, the opportunities and risks of the business.

The Board shall regularly consider NSPI’s strategy, evaluate progress made in pursuing that strategy, and consider any adjustments to the strategy that may be required from time to time.

The Board shall review and approve the Company’s financial objectives, plans and actions, including significant capital allocations and expenditures.

The Board shall review and approve all material acquisitions, dispositions, projects, business plans, and budgets.

#### **Risk Responsibility**

The Board shall oversee the implementation by management of appropriate systems to identify, report, and manage the principal risks of NSPI’s business.

The Board shall receive regular updates on the status of risk management activities and initiatives.

The Board shall approve and monitor processes that provide reasonable assurance of compliance with applicable legal and regulatory requirements.

The Board shall oversee security procedures and practices for the protection of Company personnel, physical assets, and other corporate assets from physical damage, harm, or interruption of operations including the Company's disaster preparedness.

### **Leadership and Succession**

The Board shall oversee policies and practices to enable the Company to attract, develop and retain the human resources required by the Company to meet its business objectives.

The Board shall appoint executive officers and delegate the necessary authority for the conduct of the business.

The Board shall establish annual performance expectations and corporate goals and objectives for the President and Chief Executive Officer and monitor progress against those expectations.

The Board shall oversee the succession planning program for the President and Chief Executive Officer and other key executive positions from time to time.

### **Financial**

The Board shall oversee the financial reporting and disclosure obligations imposed on the Company by laws, regulations, rules, policies and other applicable requirements.

The Board will review the financial performance of the Company and declare dividends as appropriate.

The Board shall approve for release to the public as necessary the Company's financial statements, management's discussion and analysis (MD&A) and earnings releases prepared by management and oversee the Company's compliance with applicable audit, accounting and reporting requirements.

The Board shall review the quality and integrity of NSPI's internal controls and management information systems.

### **Customer Service**

The Board shall oversee the Company's customer service performance, including its strategies, goals and policies in the area of customer service.

### **Corporate Communications and Public Disclosure**

The Board shall oversee policies and processes for accurate, timely and appropriate public disclosure. The Board shall also report on its stewardship and governance responsibilities.

### **Governance Responsibility**

The Board is responsible for overseeing the Company's corporate governance policies and practices.

The Board shall establish appropriate structures and procedures to allow the Board to function independently of management and in the interests of the Company and its shareholders.

The Board, in carrying out its mandate, may appoint committees of the Board and delegate certain functions to those committees, each of which shall have its own written charter. Notwithstanding such delegation, the Board retains its oversight function and ultimate responsibility for these delegated functions.

The Board shall oversee a process for the selection of qualified individuals for board nomination, and shall approve selection criteria for identifying director candidates taking into account the competencies and skills the Board as a whole should possess.

The Board shall undertake regular evaluation of the Board, the Chair of the Board, the Board committees and individual Directors.

The Board shall undertake regular evaluation of Directors' compensation.

The Board shall review this Charter annually to ensure it appropriately reflects the Board's stewardship responsibilities.