# Nova Scotia Power Incorporated

# Management Information Circular 2019

Nova Scotia Power Inc.
2019 Annual Meeting of Common Shareholders
May 15, 2019

# MANAGEMENT INFORMATION CIRCULAR

(as at March 22, 2019, 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 15, 2019 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: 135,465,792 Common Shares without par value

The date for determining which shareholders are entitled to receive the accompanying Notice of Meeting is March 20, 2019. 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<br>Halifax, Nova Scotia | 135,465,791 | 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.

## BUSINESS OF THE MEETING

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

1. **Financial Statements:** The audited financial statements of the Company for the fiscal year ended December 31, 2018 and the auditors' report thereon will be placed before the Meeting. These financial statements are available at www.sedar.com under NSPI's profile.

2. **Election of the Board of Directors**: The eight nominees proposed for election as Directors at the 2019 Meeting are identified under *Director Nominees* in this Circular. All nominees, except Mr. Eisenhauer, 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 eight nominees unless instructed otherwise by shareholders in their Proxy.

3. **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.

4. **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, 2018 and 2017, were as follows:

| Service Fee | 2018 | 2017 |
|---|---|---|
| Audit Fees | $260,600 | $216,300 |
| Audit-related Fees | $22,600 | $15,500 |
| Tax Fees | $10,963 | $699 |
| All Other Fees | Nil | $133,000 |
| Total | $294,163 | $365,499 |

   Tax fees relate to tax advisory services.

   The persons named on the accompanying Proxy intend to vote "for" the authorization of Directors to establish the auditors' fee for 2019, 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 eight 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[(1)(3)] |
|---|---|---|---|
| **Scott Balfour**[(2)]<br>Halifax, Nova Scotia<br>Canada | 2016 | Chief Executive Officer, Emera. Prior to that, Chief Operating Officer, Emera since November 2016, and Chief Operating Officer, Northeast and Caribbean from March 2016 to November 2016. Executive Vice President and Chief Financial Officer from April 2012 until March 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 five times his salary. |
| **Lee Bragg**<br>Fall River, Nova Scotia<br>Canada | 2010 | CEO of Eastlink, a cable and communication company, and its associated communications companies since 1999. | Voting Shares – Nil<br>Emera Shares – 18,850<br>DSUs – 14,184<br>Share Ownership Guidelines - 703% |
| **James Eisenhauer**<br>Lunenburg, Nova Scotia<br>Canada | N/A | President and Chief Executive Officer of AGL Group Limited, which has holdings in manufacturing and distribution. He is a member of the Board of Stelia Aerospace North America Inc. He is also on the Advisory Board of Atlantic Industries Limited and is Chair of its Advisory Audit Committee. He was Chairman of the Company's Board of Directors from 2011 to 2016, having served on its Board since 2008. | Voting Shares – Nil<br>Emera Shares – 7,389<br>DSUs – 51,095<br>Share Ownership Guidelines – 1,244% |
| **Sandra Greer**<br>Tantallon,<br>Nova Scotia<br>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<br>Emera Shares – Nil<br>DSUs – 9,748<br>Share Ownership Guidelines –207% |
| **Karen Hutt**<br>Halifax, Nova Scotia<br>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. |
| **Raymond Ivany**<br>Wolfville, Nova Scotia<br>Canada | 2011 | Former President and Vice Chancellor of Acadia University from April 2009 to June 2017. | Voting Shares – Nil<br>Emera Shares - Nil<br>DSUs – 21,255<br>Share Ownership Guidelines - 452% |
| **Richard C. Janega**<br>Halifax, Nova Scotia<br>Canada | N/A | Chief Operating Officer, Electric Utilities – Canada, US Northeast and Caribbean, Emera. President of Emera Newfoundland & Labrador since 2011, and CEO since April 2014. | Mr. Janega is subject to Executive Share Ownership Requirements which require that he own shares and/or DSUs valued at three times his salary. |

| Name & Municipality of Residence | Director Since | Principal Occupations During Past Five Years | Securities Held[1][3] |
|---|---|---|---|
| **J. Mark Rodger**<br>Toronto, Ontario<br>Canada | 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<br>Emera Shares – 5,400<br>DSUs – Nil<br>Share Ownership Guidelines – 115% |

(1) All voting shares of the Company are beneficially owned by Emera, with the exception of one common share held by 3240384 Nova Scotia Limited.
(2) Chairman of the Board since May, 2016. Mr. Balfour is President and Chief Executive Officer of Emera.
(3) Status under the Share Ownership Guidelines is based on the December 31, 2018 closing price of Emera common shares of $43.71.

## Meeting Attendance

The Director nominees attended Board of Directors meetings in 2018 as shown in the following table.

| | Board | |
|---|---|---|
| | # | % |
| Scott Balfour | 7/7 | 100 |
| Karen Hutt | 7/7 | 100 |
| Lee Bragg | 6/7 | 85 |
| Sandra Greer | 7/7 | 100 |
| Raymond Ivany | 7/7 | 100 |
| Richard Janega | 4/5 | 80 |
| J. Mark Rodger | 7/7 | 100 |

Mr. Janega did not join the Board until May 2018 and, therefore, was only eligible to attend five Board meetings in 2018. Mr. Eisenhauer is not currently a Director; therefore, he did not attend any Board meetings in 2018.

## 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 2018

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. Balfour, Emera's President and CEO and Mr. Janega, Emera's Chief Operating Officer Electric Utilities - Canada, US Northeast, and Caribbean, are compensated by Emera and do not receive any additional compensation as Directors 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 March22, 2019, and which is available under Emera's profile on SEDAR at 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 President and CEO of Emera and Mr. Janega, who is Chief Operating Officer, Electric Utilities – Canada, US Northeast and Caribbean, Emera.

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 seven Board meetings during 2018. 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, customer service, health, safety and environment, 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.

*Lead Director*

Mr. Eisenhauer will assume the role of independent Lead Director of the Board of Directors. He was the Chairman of the Company's Board of Directors from 2011 to 2016, having served on its Board since 2008.

*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 the Company's 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 Code of 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 2018 as follows:

| Education Presentations | Date | Participants |
|---|---|---|
| Annual Environmental Oversight for Directors | February 2018 | All Directors |

| | | |
|---|---|---|
| Education session and tour of the Intelligent Feeder site in Elmsdale, Nova Scotia | June 2018 | All Directors |
| Presentation on *Customer Experience Transformation* by a third-party consultant | June 2018 | All Directors (Dinner Presentation) |
| Presentation on Aboriginal and Environmental Law by external legal counsel | August 2018 | All Directors (Dinner Presentation) |
| Dinner and presentation by the Vice President Human Resources on Employee Survey Results | November 2018 | 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 directors in an atmosphere that is not a board meeting;
- 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 the Emera's website at www.emera.com, or a copy may be obtained by contacting the Chief Human Resources Officer, Emera, 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.

### 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.

### 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. The list of Director nominees for the annual shareholders' meeting on May 15, 2019, includes two women out of eight Director nominees, or 25 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 33 per cent.

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.

## 2018 Board and Director Performance Assessment

For the 2018 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 in February 2019.

## 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 2018. 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:

| What We Do |
|---|
| 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. |
| Conduct pay equity analyses to help ensure the Company's hiring and pay practices promote gender equality. |
| 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. |
| **What We Don't Do** |
| 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, performance share units (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 2018, 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 *Changes to the Long-Term Incentive 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; and
- 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

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 2018 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 2017 and 2018.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **Advisor** | **MRCC work ($)** | **Other work ($)** | **MRCC work ($)** | **Other work ($)** |
| Hugessen Consulting Inc. | 114,656 | Nil | 143,757 | Nil |
| Morneau Shepell | Nil | 39,771 | Nil | 57,124 |
| Mercer (Canada) Limited | Nil | 129,000 | Nil | 98,567 |

## 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.

## 2018 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 2018, 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. | |

The Company's comparator group for the Chief Financial Officer and Chief Legal and Compliance Officer consists 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. It consists of the following companies:

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

| **Canadian Comparators** | **US Comparators** |
|---|---|
| **Energy & Utility Industry** | **Energy & Utility Industry** |
| Fortis Inc. | Sempra Energy |
| Hydro One Ltd. | WEC Energy Group, Inc. |
| ATCO Ltd. | Eversource Energy |
| TransAlta Corp. | DTE Energy Company |
| Enbridge Inc. | CMS Energy Corp. |
| TransCanada Corp. | Ameren Corp. |
| Pembina Pipeline Corp. | SCANA Corp. |
| Inter Pipeline Ltd. | CenterPoint Energy, Inc. |
| AltaGas Ltd. | NiSource Inc. |
| **General Industry** | Alliant Energy Corp. |
| Rogers Communications Inc. | Pinnacle West Capital Corp. |
| Loblaw Companies Ltd. | UGI Corp. |
| Restaurant Brands International LP | Westar Energy, Inc.(2) |
| TELUS Corp. | Atmos Energy Corp. |
| Potash Corporation of Saskatchewan(1) | Great Plains Energy Inc.(2) |
| Agrium Inc.(1) | OGE Energy Corp. |
| CGI Group Inc. | |
| Goldcorp Inc. | |
| Canadian Tire Corp. Ltd . | |
| First Quantum Minerals Ltd. | |
| Teck Resources Ltd. | |

(1) Potash Corporation of Saskatchewan and Agrium Inc. merged in January 2018 to create Nutrien Ltd.
(2) Great Plains Energy Inc. and Westar Energy, Inc. merged in May 2018 to create Evergy, Inc.

The MRCC and NSPI Board continue to regularly review the composition of the comparator groups to ensure they continue 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 2018 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 2017, both Management's compensation advisor, Mercer, and the Committee's compensation advisor, Hugessen, provided the results of their benchmarking reviews, which assisted in setting the compensation levels for the NEOs for 2018.

The changes made to the compensation of the respective NEOs in 2018 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 (STIP) 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.

### 2018 Short-Term Incentive Results

#### 2018 Nova Scotia Power Incorporated (NSPI) Corporate Scorecard

The 2018 NSPI Scorecard set out corporate objectives and related threshold, target and stretch performance levels for 2018. 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 2018.

| Corporate Objective | Targets | Weighting (%) | Result | Payout (%) |
|---|---|---|---|---|
| **Safety** Build and sustain continual improvement toward World Class Safety & Health performance | Objectives included:<br>• Implement a safety auditing/compliance program;<br>• Increase Proactive Incident Rate (PAIR) by 5% over 2017 actuals;<br>• Complete an external baseline safety program/system audit;<br>• Complete external issue audits specifically on contractor safety program and hazardous/critical tasks procedures; and<br>• Fewer workplace injuries in 2018 vs. 2017. | 15 | Stretch | 30 |
| **People** Growing our People and their Development as Leaders | Objectives included:<br>• 75% of all full-time active employees attend a diversity and inclusion awareness seminar;<br>• Develop talent transition and retraining framework for use as the business transforms and use this in 2018 to build career transition plans for 100% of those affected by the AMI project;<br>• No material finding in the FAM audit on people succession program for the fuels team; and<br>• Roll out leadership competencies to 75% of leaders by end of year. | 10 | Stretch | 20 |
| **Customer**(1)(2) Increase Value for Customers and Build Reputation for Customer Experience | Objectives included:<br>• Install both the EV charging stations and the intelligent feeder projects;<br>• Completion of 2018 customer pain point removal plan;<br>• Successful regulatory application for AMI capital work order;<br>• Develop and execute a customer solutions growth plan to support the electrification of Nova Scotia by enabling 18,675 new solutions (10% increase over 2017) to residential, commercial and industrial customers; and<br>• Customer satisfaction is better than the 5-year average plus 5%. | 20 | Target | 20 |
| **Asset Management** Operate, Maintain and Invest in the Assets Serving our Customers Fostering Customer Trust | Objectives included:<br>• Implement findings from affiliate code audit, including the development of a cost allocation manual;<br>• Deliver on the 2018 cost lever plan; and<br>• Develop business case for the work and asset management capital work order followed by a regulatory filing in 2018. | 25 | Target | 25 |
| **Financial**(3) Sustainable Financial Results | • Net Earnings of $135M; and<br>• $10M customer value from Maritime Link in 2018. | 15 | Threshold | 7.5 |
| | • Cash flow from operations $368M and average working capital as % of revenue 18.5% | 15 | Between Target & Stretch | 21.25 |
| | | 100 | | **Total: 123.75** |

(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) The threshold level for the net earnings objective was earnings of $131M and target level was $135M with $10M in customer value from the Maritime Link in 2018. The result was $131M, so threshold level was achieved.
(3) The threshold level for the cash flow from operations objective was $350M and the target level was $368M. The target level of average working capital as a percentage of revenue was 18.5 per cent and the stretch level was 17.0 per cent. The cash flow from operations in 2018 was $362M and average working capital as a percentage of revenue was below 17 per cent, resulting in the overall measure falling between target and stretch,

Based on the Company's achievements against the corporate objectives in the Scorecard, the NSPI Board approved an overall Scorecard result of 123.75 per cent of target.

## 2018 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 2018. 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 2018.

| Emera Corporate Objective | Threshold ($) | Target ($) | Stretch ($) | Weighting (%) | Actual Result ($) | Percentage Payout (%) (1) |
|---|---|---|---|---|---|---|
| Cash From Operations (2) | 1,090M | 1,363M | 1,636M | 40 | 1,619M | 77.6 |
| Net Income After Tax (2) | 521M | 613M | 705M | 40 | 640M | 51.7 |
| Safety | Objectives included:<br>• Affiliates implement a safety/audit compliance program;<br>• Proactive Incident Rate (PAIR) >= 400;<br>• Affiliates complete an external/third-party baseline safety program/system audit;<br>• Affiliates to complete external "issue audits"; specifically, contractor safety program and hazardous/critical tasks procedures; and<br>• Completion of safety culture survey across all affiliates. | | | 10 | Stretch | 20 |
| People, Environment & Corporate Social Responsibility | Objectives included:<br>• Formalize annual Corporate Social Responsibility (CSR) reporting framework;<br>• Environmental audit program completed without findings of major risk;<br>• Environmental critical targets are 100% complete;<br>• Approval of revised leadership competencies for incorporation into performance management systems and leadership assessment process for 2019 implementation;<br>• Affiliates design and deliver regulatory stakeholder engagement plan; and<br>• Corporately develop community investment and economic development strategy including Emera's scholarship programs. | | | 10 | Between Target & Stretch | 17.5 |
| | | | | 100 | | **Total: 166.8** |

(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 2018 reflected net cash provided by operating activities adjusted to translate USD generated cash flow to the budgeted foreign exchange rate of $1.00 USD = $1.23 CAD. Net income after tax has been adjusted for mark-to-market adjustments and to translate USD earnings to the budgeted foreign exchange rate of $1.00 USD = $1.23 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. 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 19, 2019 for further discussion of these items.

Based on the objectives of the People, Environment and Corporate Social Responsibility measure, the Company achieved full stretch performance; however, management proposed a reduction of the payout from 20 per cent to 17.5 per cent to better reflect the overall performance in this area in 2018. The MRCC and Board agreed with this recommendation.

Based on the Company's achievements against the corporate objectives in the Scorecard, the Emera Board approved an overall Scorecard result of 166.8 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 values 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, the performance of the Company and the performance of the individual.

In 2018, PSUs made up 75 per cent of the target long-term incentive compensatory value and stock options made up the remaining 25 per cent for all NEOs.

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 earn 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 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:

**PSU Payout** = **Original Grant + Notional Dividends** x **Performance Factor** x **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 2015 PSU Grant had a performance period of January 1, 2015 to December 31, 2017 and was paid out in 2018, as reported in the *Exercise of Compensation Securities by Directors and NEOs* table. The 2016 PSU grant had a performance period of January 1, 2016 to December 31, 2018 and will be paid out in 2019. The payouts for the 2016 grant will be reported in next year's Management Information Circular.

The metrics for the 2015 PSU grant are shown below. Each metric was weighted at 50 per cent.

### 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.

When the Company was setting the performance metrics for the 2016 PSU grant, it considered the significant impact the acquisition of TECO Energy, Inc. could have on earnings. Since the timing of the closing could heavily influence EPS in 2016, the Company removed EPS as a performance metric for the 2016 grant and used only one performance metric – relative TSR. The Company returned to using multiple metrics in 2017 and 2018.

The performance factor for the 2016 PSU grant was based on Emera's average three-year 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 -2.5% | 0 |
| -2.5% | 0.5 |
| 2.5% | 1.0 |
| 10% or more | 1.5 |

For both the 2015 and 2016 PSU grants, results were interpolated and all annual average returns or percentages over the three-year performance period were determined on a compounded basis.

## 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** *(Weighted at 50%)* | | **0.67** *(Weighted at 50%)* | **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.

## 2016 PSU Grant Results

The following table shows the performance factor results for the three-year period from January 1, 2016 to December 31, 2018:

| | **Relative Total Shareholder Return (TSR)** | |
|---|---|---|
| | Emera TSR | S&P/TSX Capped Utilities Index TSR |
| **Year – 2016** | 9.6% | 17.6% |
| **Year – 2017** | 8.3% | 10.6% |
| **Year – 2018** | -1.8% | -7.7% |
| **Annual Compounded Return** | 5.24% | 6.28% |
| **Emera's Relative TSR** | -1.04% | |
| **Resulting Performance Factor** | **0.65** *(Weighted at 100%)* | |

The overall performance factor applied to the 2016 PSU grant was 0.65, based on Emera's TSR underperforming the TSR of the S&P/TSX Capped Utilities Index by one per cent on an annual basis over the three-year performance period.

## 2018 PSU Grant Performance Metrics

Following the acquisition of TECO Energy, Inc., the Company reviewed the measures that most appropriately reflect the long-term success of Emera. The Company's long-term focus is 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 used the following two equally weighted metrics for the 2018 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. The Company also used these two metrics for the 2017 PSU grant.

In addition to the above metrics, the Company 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. This allows the Company 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 in the top quartile while still being negative. This provision helps ensure payouts are reasonable when shareholders experience low returns on their investment.

The performance period for PSUs granted in 2018 is from January 1, 2018 to December 31, 2020 and the table below shows the performance factor levels:

| Metric | Threshold (50%) | Target (100%) | Stretch (200%) |
|---|---|---|---|
| Average annual growth in EPS, removing mark-to-market gains/losses | 4% | 8% | 12% |
| Average annual growth in cash from operations (after working capital) | 4% | 10% | 16% |
| Modifier | <25th percentile (bottom quartile) | 75th–25th percentile | >75th percentile (top quartile) |
| Emera's TSR vs. S&P/TSX Capped Utilities Index TSR; multiply metric results by stated multiplier | 0.75 | 1.0 | 1.25 |

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 2018 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 of Directors has delegated the administration of the Stock Option Plan to the MRCC. The MRCC is responsible for approving, 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 have received stock options in 2018 as part of their long-term incentive.

The Company has historically valued stock options based on the Black-Scholes valuation methodology. However, the Committee 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 2018 stock option grant, the Black-Scholes valuation resulted in a value ratio ranging from 1.8 per cent to 6.8 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 Committee 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 2018 was $3.99, which was 10 per cent of the closing Emera common share price of $39.93 on February 13, 2018, the day immediately preceding the grant date. The share price of $39.93 is also the exercise price for the 2018 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. In 2018, the Company made some changes to how stock options are treated on departure, which take effect in 2019. For a description of these changes, please see *Changes to the Long-term Incentive Plans.*

The Emera Board of Directors may amend or discontinue the Stock Option Plan by resolution at any time; however, 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 10 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 10 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.

**Changes to the Long-term Incentive Plans**

In 2018, the Company, with the assistance of Mercer, conducted a review of executive entitlements under various departure scenarios to determine how Emera compared to general market practice and to determine how the Company's long-term incentive plans could be structured to assist in workforce planning and retention. Ensuring our long-term incentive plans are retentive will become increasingly important going forward as many of the Company's newer executives are in a defined contribution pension plan. Defined contribution pension plans tend to be less retentive than defined benefit pension plans and typically result in less predictable retirement dates.

As a result of the review, the Company made the following changes to the Performance Share Unit Plan and Senior Management Stock Option Plan, which more closely align the plans with market practice and are expected to lead to more predictable succession planning for the Company, without adding any materials costs:

- On retirement, any unvested PSUs and stock options will be eligible to continue to vest for 24 months from the participant's retirement date, provided the participant is subject to certain pre-determined restrictive covenants and is not being paid any severance amounts as part of the participant's departure. Any PSUs that vest post-retirement will continue to be subject to the applicable performance conditions. This change does not impact the NEOs, as they have contractual provisions that provided for the same treatment.
- The definition of "retirement" was standardized to apply a consistent definition for all long-term incentive recipients, irrespective of the pension plan in which they participate, to allow for more consistent treatment.
- In the event of the death of a long-term incentive recipient, any outstanding PSUs continue to be prorated but will be paid out immediately following death assuming a performance factor of 1.0. Any stock options that would have vested within 12 months from the date of the participant's death will vest immediately and the participant's estate will have six months to exercise such options. This allows for timelier settling of estates in the event of a participant's death.
- The exercise window for vested options was shortened from six months to 60 days for executives who resign from the Company or who are terminated for cause; any options that have not vested continue to be forfeit upon a resignation or termination for cause.

As part of the review, the Company also revised the restrictive covenants and termination provisions in the Company's executive contracts. The above changes take effect with the 2019 long-term incentive grants and the updated executive contracts will be implemented going forward.

## 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 incentive payouts, PSU payouts and the value of perquisites and other compensation awarded to NEOs in 2018, 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 ($) | Recov-ered in rates ($) | Annual incentive payout ($)[1] | Recov-ered in rates ($) | Performance share unit payout ($) | Recov-ered in rates ($) | Value of perquisites & all other compensation ($) | Recov-ered in rates ($) | Total amount recoverable in rates ($) |
|---|---|---|---|---|---|---|---|---|---|
| **Karen Hutt**<br>President & Chief Executive Officer | 369,577 | 210,188 | 137,348 | 0 | 82,437 | 0 | 91,055 | 27,325 | **237,513** |
| **Greg Blunden**<br>Chief Financial Officer, Emera Inc. | 500,000 | 0 | 0 | 0 | 138,499 | 0 | 296,650 | 0 | **0** |
| **Bruce Marchand**<br>Chief Legal & Compliance Officer, Emera Inc. | 448,096 | 0 | 337,750 | 0 | 304,146 | 0 | 132,400 | 0 | **0** |

(1) 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 2018, 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* tables 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 | 680,417 | 237,513 | 35 |
| Greg Blunden | 935,149 | 0 | 0 |
| Bruce Marchand | 1,222,392 | 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 and Mr. Marchand were paid by Emera Inc.

| Table of compensation excluding compensation securities | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and position** | **Year** | **Salary, consulting fee, retainer or commission ($)** | **Bonus ($)[(1)(2)]** | **Committee or meeting fees ($)** | **Value of perquisites ($)[(3)]** | **Value of all other compen-sation ($)[(4)]** | **Total compensation ($)** |
| **Karen Hutt**[(5)] President and Chief Executive Officer and Director | 2018 | 369,577 | 137,348 | - | 23,054 | 68,001 | 597,980 |
| | 2017 | 358,731 | 168,582 | - | 21,656 | 25,580 | 574,549 |
| **Greg Blunden** Chief Financial Officer, Emera Inc. | 2018 | 500,000 | - | - | 22,400 | 274,250 | 796,650 |
| | 2017 | 462,328 | - | - | 21,196 | 95,886 | 579,410 |
| **Bruce Marchand** Chief Legal & Compliance Officer, Emera Inc. | 2018 | 448,096 | 337,750 | - | 15,400 | 117,000 | 918,246 |
| | 2017 | 404,788 | 93,083 | - | 13,196 | 129,449 | 640,516 |
| **Scott Balfour**[(5)] Board Chair | 2018 | - | - | - | - | - | - |
| | 2017 | - | - | - | - | - | - |
| **Lee Bragg** Director | 2018 | 42,500 | - | - | - | - | 42,500 |
| | 2017 | 42,034 | - | - | - | - | 42,034 |
| **Sandra Greer** Director | 2018 | - | - | | - | - | |
| | 2017 | 877 | - | 10,750 | - | - | 11,627 |
| **Christopher Huskilson**[(5)(6)] Director | 2018 | - | - | - | - | - | - |
| | 2017 | - | - | - | - | - | - |
| **Richard Janega**[(5)] Director | 2018 | - | - | - | - | - | - |
| **Raymond Ivany** Director | 2018 | - | - | - | - | - | - |
| | 2017 | - | - | - | - | - | - |
| **J. Mark Rodger**[(7)] Director | 2018 | 76,849 | - | - | - | - | 78,849 |
| | 2017 | - | - | - | - | - | - |
| **Marie Rounding**[(8)] Director | 2018 | 24,349 | - | - | - | - | 24,349 |
| | 2017 | 57,047 | - | 10,750 | - | 875 | 68,672 |

(1) In 2018, Ms. Hutt participated in the NSPI Corporate Scorecard. Mr. Blunden and Mr. Marchand participated in the Emera Corporate Scorecard.

(2) 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 166.8 per cent and the NSPI Scorecard result of 123.75 per cent. The Short-Term Incentive Plan and the 2018 results are described in greater detail in *Short-Term Incentive Program*. The figures shown reflect amounts earned in the 2018 performance year and paid in 2019. For the 2018 performance year, Ms. Hutt elected to receive 50 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 25 per cent in DSUs. Please see *Deferred Share Unit Plan* for more information on the annual incentive allocations.

(3) The 'Value of perquisites' figure for 2018 consists of: for Ms. Hutt, a cash perquisite allowance of $20,000 and other taxable benefits; for Mr. Blunden, a cash perquisite allowance of $20,000 and other taxable benefits; and for Mr. Marchand, a car allowance of $12,000 and other taxable benefits.

(4) The 'value of all other compensation' figures for NEOs include changes in the accrued obligations of the NEOs' pension entitlements. For Ms. Hutt it also includes a payment of $35,688 relating to the payout of her 2015 PSU grant. Ms. Hutt's employment agreement with Emera Inc. had a clause stipulating that if the payout amount for her 2015 PSU grant was less than $118,125 (after factoring in the respective performance factor, share price changes, and notional dividends), she would receive a lump sum payment equal to the difference between $118,125 and the value of the respective PSU grant payout. This clause was included in Ms. Hutt's employment agreement when she moved from Emera Energy to Emera Inc. in 2015 to reflect that her target cash compensation, consisting of base salary and short-term incentive, was decreasing as a result of the move. Ms. Hutt's PSU payout in 2015 was $82,437, resulting in an additional payment of $35,688 in accordance with her employment agreement with Emera Inc. No portion of the PSU payout or the additional payment was included in electricity rates.

(5) Ms. Hutt, Mr. Balfour, Mr. Janega and Mr. Huskilson did not receive any additional compensation as directors of NSPI.

(6) Mr. Huskilson resigned from the Board of Directors on February 6, 2018.

(7) Mr. Rodger joined the Board of Directors on February 5, 2018.

(8) Ms. Rounding retired from the Board of Directors on May 24. 2018.

The following table shows the compensation securities granted to each NEO and director in 2018:

| Compensation Securities | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Name and position** | **Type of compensation security** | **Description** | **Number of compensation securities, number of underlying securities, and percentage class [1]** | | **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** |
| **Karen Hutt**[6] President & Chief Executive Officer and Director | Performance Share Units [2] | 2018 Grant | 4,615 | 0.00% | 1-Jan-18 | 48.14 | 46.98 | 43.71 | N/A |
| | | Q1 Dividend | 155 | 0.00% | 15-Feb-18 | 41.47 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 161 | 0.00% | 15-May-18 | 40.41 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 162 | 0.00% | 15-Aug-18 | 40.78 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 162 | 0.00% | 15-Nov-18 | 42.80 | 43.87 | 43.71 | N/A |
| | Stock Options [3] | 2018 Grant | 18,500 | 0.44% | 14-Feb-18 | 39.93 | 39.69 | 43.71 | 14-Feb-28 |
| | Deferred Share Units [4] | STIP allocation [3] | 1,501 | 0.00% | 1-Jan-18 | 48.14 | 46.98 | 43.71 | N/A |
| | | Q1 Dividend | 57 | 0.00% | 15-Feb-18 | 41.47 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 60 | 0.00% | 15-May-18 | 40.41 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 60 | 0.00% | 15-Aug-18 | 40.78 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 60 | 0.00% | 15-Nov-18 | 42.80 | 43.87 | 43.71 | N/A |
| **Greg Blunden** Chief Financial Officer, Emera Inc. | Performance Share Units [2] | 2018 Grant | 11,684 | 0.01% | 1-Jan-18 | 48.14 | 46.98 | 43.71 | N/A |
| | | Q1 Dividend | 406 | 0.00% | 15-Feb-18 | 41.47 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 422 | 0.00% | 15-May-18 | 40.41 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 424 | 0.00% | 15-Aug-18 | 40.78 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 426 | 0.00% | 15-Nov-18 | 42.80 | 43.87 | 43.71 | N/A |
| | Stock Options [3] | 2018 Grant | 47,000 | 1.11% | 14-Feb-18 | 39.93 | 39.69 | 43.71 | 14-Feb-28 |
| | Deferred Share Units [4] | STIP allocation [3] | 5,198 | 0.00% | 1-Jan-18 | 48.14 | 46.98 | 43.71 | N/A |
| | | Q1 Dividend | 239 | 0.00% | 15-Feb-18 | 41.47 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 249 | 0.00% | 15-May-18 | 40.41 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 250 | 0.00% | 15-Aug-18 | 40.78 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 251 | 0.00% | 15-Nov-18 | 42.80 | 43.87 | 43.71 | N/A |
| **Bruce Marchand** Chief Legal & Compliance Officer, Emera Inc. | Performance Share Units [2] | 2018 Grant | 10,164 | 0.00% | 1-Jan-18 | 48.14 | 46.98 | 43.71 | N/A |
| | | Q1 Dividend | 370 | 0.00% | 15-Feb-18 | 41.47 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 385 | 0.00% | 15-May-18 | 40.41 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 387 | 0.00% | 15-Aug-18 | 40.78 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 389 | 0.00% | 15-Nov-18 | 42.80 | 43.87 | 43.71 | N/A |
| | Stock Options [3] | 2018 Grant | 40,900 | 0.97% | 14-Feb-18 | 39.93 | 39.69 | 43.71 | 14-Feb-28 |
| | Deferred Share Units [4] | STIP allocation [3] | 1,933 | 0.00% | 1-Jan-18 | 48.14 | 46.98 | 43.71 | N/A |
| | | Q1 Dividend | 338 | 0.00% | 15-Feb-18 | 41.47 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 351 | 0.00% | 15-May-18 | 40.41 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 353 | 0.00% | 15-Aug-18 | 40.78 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 354 | 0.00% | 15-Nov-18 | 42.80 | 43.87 | 43.71 | N/A |
| **Scott Balfour** [6] Board Chair | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Lee Bragg** Director | Deferred Share Units [5] | Q1 Fees | 223 | N/A | 31-Mar-18 | 46.98 | 40.76 | 43.71 | N/A |
| | | Q2 Fees | 225 | N/A | 30-Jun-18 | 46.98 | 42.80 | 43.71 | N/A |
| | | Q3 Fees | 228 | N/A | 30-Sep-18 | 46.98 | 40.16 | 43.71 | N/A |
| | | Q4 Fees | 228 | N/A | 31-Dec-18 | 46.98 | 43.71 | 43.71 | N/A |
| | | Q1 Dividend | 175 | N/A | 15-Feb-18 | 40.36 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 180 | N/A | 15-May-18 | 40.66 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 184 | N/A | 15-Aug-18 | 40.95 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 184 | N/A | 15-Nov-18 | 43.87 | 43.87 | 43.71 | N/A |
| **Sandra Greer** Director | Deferred Share Units [5] | Q1 Fees | 472 | N/A | 31-Mar-18 | 46.98 | 40.76 | 43.71 | N/A |
| | | Q2 Fees | 451 | N/A | 30-Jun-18 | 46.98 | 42.80 | 43.71 | N/A |
| | | Q3 Fees | 456 | N/A | 30-Sep-18 | 46.98 | 40.16 | 43.71 | N/A |
| | | Q4 Fees | 456 | N/A | 31-Dec-18 | 46.98 | 43.71 | 43.71 | N/A |
| | | Q1 Dividend | 104 | N/A | 15-Feb-18 | 40.36 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 111 | N/A | 15-May-18 | 40.66 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 118 | N/A | 15-Aug-18 | 40.95 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 122 | N/A | 15-Nov-18 | 43.87 | 43.87 | 43.71 | N/A |

| Name and position | Type of compensation security | Description | Number of compensation securities, number of underlying securities, and percentage class (1) | | 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 (5) | Q1 Fees | 472 | N/A | 31-Mar-18 | 46.98 | 40.76 | 43.71 | N/A |
| | | Q2 Fees | 451 | N/A | 30-Jun-18 | 46.98 | 42.80 | 43.71 | N/A |
| | | Q3 Fees | 456 | N/A | 30-Sep-18 | 46.98 | 40.16 | 43.71 | N/A |
| | | Q4 Fees | 456 | N/A | 31-Dec-18 | 46.98 | 43.71 | 43.71 | N/A |
| | | Q1 Dividend | 256 | N/A | 15-Feb-18 | 40.36 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 265 | N/A | 15-May-18 | 40.66 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 273 | N/A | 15-Aug-18 | 40.95 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 274 | N/A | 15-Nov-18 | 43.87 | 43.87 | 43.71 | N/A |
| **Christopher Huskilson** Director (6) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Richard Janega** Director (6) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Marie Rounding** Director (7) | Deferred Share Units (5) | Q1 Fees | 141 | N/A | 31-Mar-18 | 46.98 | 40.76 | 43.71 | N/A |
| | | Q2 Fees | 80 | N/A | 30-Jun-18 | 46.98 | 42.80 | 43.71 | N/A |
| | | Q1 Dividend | 282 | N/A | 15-Feb-18 | 40.36 | 40.36 | 43.71 | N/A |
| | | Q2 Dividend | 286 | N/A | 15-May-18 | 40.66 | 40.66 | 43.71 | N/A |
| | | Q3 Dividend | 289 | N/A | 15-Aug-18 | 40.95 | 40.95 | 43.71 | N/A |
| | | Q4 Dividend | 284 | N/A | 15-Nov-18 | 43.87 | 43.87 | 43.71 | 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 weighted average outstanding Emera common shares as at December 31, 2018 (233,000,000). For stock options, the percentage of class is calculated by dividing the applicable options by the number of outstanding options as at December 31, 2018 (4,225,575).

(2) The grant value of PSUs granted in 2018 was based on the average 50 trading-day closing share price up to December 31, 2017 ($48.14). 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, 2018, to December 31, 2020. 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, 2018; 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 in 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 to the NEOs in 2018 was determined to be equal to 10 per cent of the February 13, 2018 closing share price of $39.93 or $3.99 per option. The Company has adopted a floor value ratio of 10 per cent; 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 2018 resulted in a value ratio of 1.8 per cent to 6.8 per cent, using an estimated dividend yield of 4.7 per cent, and a risk-free interest rate of 1.98 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 9.0 per cent to 16.2 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 2018, 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 2018 was based on the average 50 trading-day closing share price up to December 31, 2017 ($48.14). 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, 2018; 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 in 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 2018 was based on the closing price on Emera common shares on December 31, 2017 ($46.98). Directors cannot settle DSUs until they leave the Board.

(6) Ms. Hutt did not receive any additional compensation for her services as a Director of NSPI. Mr. Huskilson, Emera's President and CEO until his retirement on March 29, 2018, Mr. Janega, Chief Operating Officer, Electric Utilities, Canada, US Northeast, and Caribbean, and Mr. Balfour, Emera's Chief Executive Officer as of March 29, 2018 are compensated by Emera and do not receive any additional compensation as Directors of NSPI.

(7) Ms. Rounding retired from the Board of Directors on May 24, 2018.

The following table shows the compensation securities exercised by directors and NEOs in 2018:

| 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 (1) | 1,695 | 48.14 | 1-Jan-18 | 46.98 | 1.16 | 82,437 |
| **Greg Blunden** Chief Financial Officer, Emera Inc. | Performance Share Units (1) | 2,849 | 48.14 | 1-Jan-18 | 46.98 | 1.16 | 138,499 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Bruce Marchand**<br>Chief Legal & Compliance Officer, Emera Inc. | Performance Share Units (1) | 6,255 | 48.14 | 1-Jan-18 | 46.98 | 1.16 | 304,146 |

(1) The value of PSUs exercised in 2018 is based on the 2015 PSU grant, which had a three-year performance period from January 1, 2015 to December 31, 2017. The 2015 PSU grant was deemed to be paid out on January 1, 2018. 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 2017 ($48.14). 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 2015 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 1.01. 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, 2018 to December 31, 2018 for the NEOs who participated in the Pension Plan on a defined benefit basis.

| | | ***Annual Benefits Payable*** | | | | | |
|---|---|---|---|---|---|---|---|
| **Name** | **Years of credited service (#)** | **At year end ($)(1)** | **At age 65 ($)** | **Accrued obligation at the start of the year ($)** | **Compensatory Change ($) (2)** | **Non-Compensatory Change ($) (2)** | **Accrued obligation at year end ($) (3)** |
| Greg Blunden (4) | 1.3 | 13,000 | 13,000 | 287,000 | 171,000 | 13,000 | 471,000 |
| Bruce Marchand | 7.0 | 63,000 | 95,000 | 984,000 | 117,000 | 137,000 | 1,238,000 |

(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, 2019.
(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 2018.

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 2018 were driven largely by the change in the discount rate assumption from 3.50 per cent as at December 31, 2017 to 3.83 per cent as at December 31, 2018, as well as interest on the accrued obligation and current service cost. An increase in the discount rate results in a lower 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 2018, 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, 2018 to December 31, 2018 for the NEOs who participated in the Pension Plan on a defined contribution basis:

| Name | Accumulated Value at Start of Year ($) | Compensatory Change ($) (1) | Non-Compensatory Change ($) (2) | Accumulated Value at End of Year ($) |
|---|---|---|---|---|
| Karen Hutt | 508,000 | 31,000 | 9,000 | 548,000 |
| Greg Blunden (3) | 630,000 | 62,000 | 4,000 | 696,000 |

(1) The compensatory change is the value of Company contributions made based on the defined contribution component of the Pension Plan.
(2) The non-compensatory change is the value of employee contributions to the Pension Plan, along with investment earnings.
(3) 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 2018. 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 $13,250 each. The Company also contributed $13,250 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 2018, the additional Company contribution for Ms. Hutt was $17,849 and for Mr. Blunden was $48,514.

Upon ending active employment with the Company at any age between 55 and 65, plan participants 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*.

### 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 2018.

## DSU Plan Allocations

The table below identifies how much of the short-term incentive for 2017 and 2018 that each NEO elected to allocate to DSUs:

| Name | 2018 | | 2017 | |
|---|---|---|---|---|
| | Percentage of annual inventive allocated to deferred share units (%) | Dollar amount of annual incentive allocated to deferred share units ($)[1] | Percentage of annual inventive allocated to deferred share units (%) | Dollar amount of annual incentive allocated to deferred share units ($)[1] |
| Karen Hunt | 50 | 137,377 | 30 | 72,258 |
| Greg Blunden | 100 | 583,788 | 100 | 250,232 |
| Bruce Marchand | 25 | 112,610 | 50 | 93,055 |

(1) 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, 2018.

| Name | Departure scenario [1] | Cash severance ($) | Short-term incentive ($) | Performance share units ($) [2] | Stock options ($) | Continuation of benefits (present value) ($) [3] | Total ($) |
|---|---|---|---|---|---|---|---|
| Karen Hutt | Resignation | - | - | - | - | - | - |
| | Termination for cause | - | - | - | - | - | - |
| | Termination without cause | 370,000 | 222,000 | 182,395 | - | 2,034 | 776,429 |
| | Change of control | 370,000 | 222,000 | 182,395 | - | 2,034 | 776,429 |
| | Retirement | - | - | - | - | - | - |
| Greg Blunden | Resignation | - | - | - | - | - | - |
| | Termination for cause | - | - | - | - | - | - |
| | Termination without cause | 500,000 | 350,000 | 528,345 | - | 4,637 | 1,382,982 |
| | Change of control | 500,000 | 350,000 | 528,345 | - | 4,637 | 1,382,982 |
| | Retirement | - | - | - | - | - | - |
| Bruce Marchand | Resignation | - | - | - | - | - | - |
| | Termination for cause | - | - | - | - | - | - |
| | Termination without cause | 675,000 | 405,000 | 459,479 | - | 3,811 | 1,543,290 |
| | Change of control | 675,000 | 405,000 | 459,479 | - | 3,811 | 1,543,290 |
| | Retirement | - | - | - | - | - | - |

(1) Please see the tables following for a description of the entitlements of each NEO under the various departure scenarios.
(2) 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 2018 ($42.85).
(3) 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, 2018:

| **Karen Hutt** | |
|---|---|
| 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 *Pension Plan Benefits*. 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. |
| **Greg Blunden** | |
| 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 Pension Plan Benefits. 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. |
| **Bruce Marchand** | |
| 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 *Pension Plan Benefits*. 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 22, 2019, and which is available under Emera's profile on SEDAR at 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.[1]

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. 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, 2018. 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.

[1] "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.

DATED at Halifax, Nova Scotia, this 20th day of March, 2019.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Stephen Aftanas"

Corporate Secretary

**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.

Because NSPI is a subsidiary of Emera Inc. ("Emera"), the Emera Code of Conduct (the "Code") applies to the Board and, thus, all of the Board's members are required to acknowledge their compliance with the Code, both at the time of their election to the Board and annually thereafter.

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.

**Health, Safety and Environment**

The Board shall oversee the Company's health, safety and environmental programs and performance. The Board shall fulfill the role and responsibilities of an Emera-affiliate board, as described in Emera's Safety Governance structure.

**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.