

Alectra Inc. (“Alectra”) Board of Directors Compensation (2023)

Introduction

Alectra is an investment holding company with a head office in Mississauga, Ontario. Alectra owns 100 per cent of the common shares of each of Alectra Utilities Corporation (“Alectra Utilities”) and Alectra Energy Solutions Inc. (“AES”), which in turn has two wholly owned subsidiaries: Alectra Energy Services Inc. (“AESI”) and Alectra Power Services Inc. (“APSI”). Alectra Energy Services has two wholly owned subsidiaries – Util-Assist Inc. (“UA”) and Holland Power Services Inc. (“HPS”).

Alectra Utilities is the second-largest municipally owned local distribution company in North America, providing electricity distribution services to more than one million homes and businesses across a 1,924 square kilometer service territory in 17 Ontario communities, including Alliston, Aurora, Barrie, Beeton, Bradford West Gwillimbury, Brampton, Guelph, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, Rockwood, St. Catharines, Thornton, Tottenham, and Vaughan.

The Alectra Board of Directors (the “Board”) has the mandate to govern Alectra by setting its strategic direction and risk tolerances, selecting and overseeing the effectiveness of the CEO and monitoring the successful performance, culture and ethical integrity of Alectra. The Corporate Governance and Nominating Committee (“CGNC”), which is a standing committee reporting to the Board, is responsible for recommending and reviewing as appropriate, the Board compensation philosophy and its practical application. The Board is responsible for approving all Board compensation matters. It is critical that the compensation for the Board be in line with current best practices and is appropriate to retain the talent necessary to fulfill its mandate.

Board Compensation Philosophy

Alectra will provide Board compensation that is aligned with other public sector organizations taking into consideration Alectra’s ownership, yet still remain competitive with the private sector to attract both public sector and private sector talent. It is important that Alectra’s Board compensation practices enable it to provide leading governance and support to Alectra’s complex and evolving business.

The following three principles will be applied to Alectra’s Board compensation:

Financially Prudent – Compensation will recognize the ownership structure of the organization and be accountable to the Corporation.

Fairness – Compensation should reflect the time, knowledge, commitment and skills required for each individual, and that it should be comparable to other similar organizations.

Transparency – Compensation will be established in a transparent manner and in a way that can be clearly communicated to all stakeholders.

Process for Benchmarking Board Compensation

The CGNC will regularly review Alectra Board's compensation philosophy and its practical application and will engage external compensation experts as required. Reviews by external experts will include benchmarking to comparable organizations from both the public and private sector.

The CGNC will align Board compensation with public sector organizations yet remain competitive with the private sector and therefore the comparator group must comprise organizations from both sectors. In both cases, the comparator group should comprise organizations similar in size to Alectra or with whom Alectra might compete in the market, including LDCs, other highly regulated sectors and other industries. In looking at private sector organizations, it should be recognized that Alectra is not a publicly traded company and therefore while a peer group for comparators may include publicly traded companies, it should not be given undue weight.

Board Compensation Structure

The Board compensation structure should be straightforward and easy to understand, keeping in line with the principle of transparency. While some of the boards of companies in Alectra's peer group link compensation to company performance, typically through equity ownership, considering the nature of the Alectra organization and its ownership structure, Director compensation for Alectra will not include this element. Instead, Directors will receive a retainer plus meeting fees (with the exception of the Board Chair) consistent with the comparable organizations as discussed above. Further, additional compensation for the Board Chair and Committee Chairs should be consistent with the additional effort and skills required for those positions.

Current Board Compensation

Meridian, a third-party compensation expert, was engaged by the CGNC to develop a recommendation for Alectra Board compensation. Meridian's recommendation was based upon a comparator group of publically traded and non-publically traded organizations, federal crown corporations and Ontario public sector companies consistent with the principles set out above.

The CGNC and the Board adopted Meridian's recommendation for compensation, which results in significant savings as compared to the aggregate of the five predecessor organizations. Alectra's Board compensation is summarized as follows:

Compensation Component	Role	Fees
Board Retainer	Non-Executive Chair ¹	\$120,000
	Regular Board Member	\$45,000
Committee Retainer (additional compensation)	Audit Committee Chair	\$15,000
	Other Board Committee Chair	\$11,000
	Committee Member	\$0
Meeting Fees	Meeting Attendance	\$1,250

¹ The Non-Executive Chair does not receive meeting attendance fees.

Alectra Board – Mandate

The mandate of the Board is to govern Alectra, by setting its strategic direction and risk tolerances, selecting and overseeing the effectiveness of the CEO, and monitoring the successful performance, culture and ethical integrity of Alectra.

The Board has the authority to:

- Supervise Alectra’s business and affairs, structure, processes, systems, controls and culture;
- Delegate authority to the CEO or Committees, provided that any authority not explicitly delegated remains with the Board;
- Authorize investigations or studies of matters that reflect on issues of material substantial risk to Alectra or such other matters as it deems appropriate; and,
- Obtain expertise and assistance from outside professional advisors as required to assist in the execution of its due diligence activities.

The Board is accountable to Alectra to establish a system of effective corporate governance and to achieve Alectra’s mission/vision/purpose.

The Unanimous Shareholders Agreement and its Guiding Principles will guide the Board’s actions and decisions, including referring specified items for Shareholder approval as required.

There are four Standing Committees of the Board, namely the Audit, Finance and Risk Management Committee (“AFRM”), CGNC, the People and Safety Committee (“PSC”) and the Development Committee (“DC”) (collectively the “Committees” or a “Committee”).

Mandate of the Audit, Finance and Risk Management Committee

The mandate of the AFRM Committee is to assist the Board in fulfilling its oversight responsibilities for the reliability and integrity of Alectra’s financial reporting, business financial planning, system of internal controls, internal and external audit programs, ongoing compliance with legislation, regulations and internal policies, and risk management program.

The AFRM Committee affords management, the internal auditor and the external auditor a direct conduit to the Board.

The AFRM Committee shall also carry out such other duties as may be delegated to it by the Board from time to time.

Mandate of the Corporate Governance & Nominating Committee

The mandate of the CGNC Committee is to assist the Board in fulfilling its oversight responsibilities and gaining reasonable assurance as to the effectiveness of corporate governance, board, committee and director effectiveness, board renewal, nominations and appointments, ESG strategies and outcomes, including embracing a culture of sustainability and community presence, and to monitor compliance with the Unanimous Shareholders Agreement.

The CGNC Committee shall also carry out such other duties as may be delegated to it by the Board from

time-to-time.

Mandate of the People & Safety Committee

The mandate of the PSC Committee is to assist the Board in fulfilling its oversight responsibilities by gaining reasonable assurance as to the effectiveness of:

1. Alectra's relationship with the CEO;
2. Executive compensation and conditions of employment;
3. CEO and executive performance and succession planning;
4. Human resources policies and plans, including compensation and benefits plans, culture, equity, diversity and inclusion; and,
5. Environment, health and safety matters.

The PSC Committee shall also carry out such other duties as may be delegated to it by the Board from time to time.

Mandate of the Development Committee

The mandate of the DC Committee is to assist the Board in fulfilling its responsibilities for achieving the Board approved strategic growth targets, consistent with Alectra's evolving strategic and business plans by:

- Reviewing the options for achieving growth and providing oversight with respect to Management's recommendations regarding how to prioritize and take advantage of these options in the short and longer term;
- Providing oversight of the development of Alectra's plans for growth of the regulated and non-regulated businesses, working with Management and its Advisors;
- Enabling the execution of Alectra's strategic growth plans as approved by the Board; and,
- Reviewing Management recommendations and where appropriate, approving acquisitions or investments in growth opportunities and divestitures.

The DC Committee shall also carry out such other duties as may be delegated to it by the Board from time-to-time.

BOARD MEMBER	BOARD POSITION	COMMITTEE MEMBER	ANNUAL RETAINER	COMMITTEE CHAIR	No. of Board Meetings Attended	MEETING FEES	TOTAL ANNUAL COMPENSATION
Norm Loberg ⁽¹⁾	Board Chair		\$120,000.00		27 of 27		\$120,000.00
Jane Armstrong	Chair PSC	PSC, CGNC	\$ 45,000.00	\$ 11,000.00	16 of 16	\$ 20,000.00	\$ 76,000.00
Gerry Beasley	Chair AFRM	AFRM, DC	\$ 45,000.00	\$ 15,000.00	18 of 18	\$ 22,500.00	\$ 82,500.00
Mayor Bonnie Crombie	Board of Directors	CGNC, PSC	\$ 45,000.00		9 of 12	\$ 11,250.00	\$ 56,250.00
Giuseppina D'Agostino	Board of Directors	CGNC, PSC	\$ 45,000.00		16 of 16	\$20,000.00	\$ 65,000.00
Mayor Steven Del Duca	Board of Directors	AFRM	\$ 45,000.00		9 of 12	\$ 11,250.00	\$ 56,250.00
Sean Donnelly	Chair CGNC	CGNC, AFRM, DC	\$ 45,000.00	\$ 11,000.00	22 of 22	\$ 27,500.00	\$ 83,500.00
Jennifer Fang	Board of Directors	AFRM, DC	\$ 45,000.00		15 of 18	\$ 18,750.00	\$ 63,750.00
Councillor Matt Harris	Board of Directors	CGNC, PSC	\$ 45,000.00		12 of 12	\$ 15,000.00	\$ 60,000.00
Mayor Andrea Horwath	Board of Directors	CGNC	\$ 45,000.00		12 of 12	\$ 15,000.00	\$ 60,000.00
John Knowlton	Board of Directors	CGNC, DC	\$ 45,000.00		18 of 18	\$ 22,500.00	\$ 67,500.00
Don Lowry	Chair DC	PSC, DC	\$ 45,000.00	\$ 11,000.00	18 of 18	\$ 22,500.00	\$ 78,500.00
Mayor Alex Nuttall	Board of Directors	PSC	\$ 45,000.00		12 of 12	\$ 15,000.00	\$ 60,000.00
Mayor Frank Scarpitti	Board of Directors	AFRM	\$45,000.00		10 of 12	\$ 12,500.00	\$ 57,500.00
TOTAL			\$705,000.00	\$ 48,000.00		\$233,750.00	\$ 986,750.00

Board Committees

Audit, Finance & Risk Management – AFRM
Corporate Governance & Nominating – CGNC
Development Committee – DC
People & Safety Committee – PSC

⁽¹⁾ Does not receive a Meeting Attendance Fee