



Strategic Priorities & Policy Committee

**London Hydro Inc. Board of
Directors' Compensation
August 27, 2012**



London Hydro's Board Composition

- London Hydro's Board of Directors have fiduciary responsibilities to the Corporation, as well as compliance accountabilities to the market rules and regulations.
- London Hydro's Board is a business oriented board made up of six independent members (3 classes, 2 members in each class) and one dependent member (in class 4).

2012 London Hydro's Board of Directors

- Class I Board Members
 - Bernard Borschke
 - Gabriel Valente
- Class II Board Members
 - Peter Johnson, Chair
 - Connie Graham
- Class III Board Members
 - Mohan Mathur, Vice-Chair
 - Marilyn Sinclair
- Class IV Board Member
 - Mayor Joe Fontana

London Hydro Board Remuneration

- First slate of the London Hydro Board of Directors was initially appointed in July 2000.
- The remuneration of the Board of Directors was first established in July 2000.
- ***Since 2000 and until now, the remuneration has never been reviewed and adjusted by the shareholder.***

Board Remuneration Principles

- Subject to clause 3.10 of London Hydro's By-Law No. 2 and the amended Shareholder Declaration dated August 18, 2008, article 4.6, the compensation for London Hydro's Board of Directors is to be established by the Shareholder.
- Further, the Shareholder Declaration article 4.6 stipulates that, '***compensation for London Hydro's Board be maintained at a comparative level to those of Ontario peer utilities.***'

Independent Review

- Following our AGM on May 22, 2012, London Hydro's management engaged an independent consultant with expertise in human resources including coaching senior leaders and corporate governance. The consultant also has direct utility experience by virtue of having been a senior leader in a large utility.
- The consultant's analysis and review leads her to assert "that the current London Hydro Board compensation is not competitive with that of Ontario peers. In fact the current remuneration falls well below other comparators..."

Board Compensation Comparative Analysis

Board Chair Comparative Analysis

London Hydro	Value against lowest comparator		Value against Median of all LDCs		Value against highest comparator	
	\$ difference	% difference	\$ difference	% difference	\$ difference	% difference
\$10,000	(\$3,500)	-19.4%	(\$16,000)	-61.5%	(\$33,000)	-78.2%

Director Comparative Analysis

London Hydro	Value against lowest comparator		Value against Median of all		Value against highest	
	\$ difference	% difference	\$ difference	% difference	\$ difference	% difference
\$6,000	(\$1,000)	-5.6%	(\$6,875)	-26.4%	(\$10,476)	-24.1%

Non-LDC Comparative Analysis

	London Hydro	Greater London International Airport Authority
Board Chair	\$10,000	\$20,000
Director	\$6,000	\$10,000

Summary Observations

- London Hydro Inc. is a for profit, taxable corporation, established pursuant to the Electricity Act.
- The Corporation of the City of London is the sole shareholder of the corporation, holding 1,001 shares.
- Licensed authority to distribute electricity to Londoners is granted by the OEB. The rates and fees for services provided by London Hydro are regulated by the OEB.
- Under the guidance and oversight of the Board of Directors, London Hydro has continually performed exceptionally well.



Recommendations

- In the past, the Board has consistently deferred management's proposal to seek an increase to the Board remuneration.
- However, we have fallen way behind our peers and I strongly recommend to fairly compensate our Directors in order to attract the best candidates to our Board and continue to maintain/enhance the highest level of corporate governance.
- Pursuant to the Shareholder Declaration, we seek your endorsement and approval for the Board remuneration recommendations as proposed by the management.

Recommendations - continued

Member	Annual Stipend		Median Comparator LDC
	Current	Proposed	Benchmark
Board Chair	\$10,000	\$25,000	\$26,000
Class 1, 2, 3	\$6,000	\$12,000	\$13,000
Class 4 (Councilors)	\$0	Meeting Fee Only	
Meeting Fee (per meeting)	\$600	\$800	Committee Chair: \$4,500 + \$600/meeting

The total Board cost would increase from 0.1% currently to 0.2% of the annual London Hydro revenue.

^[1] Revisions to the Class 4 Director's compensation will be effective as of the date of the amendment to the Shareholder Declaration. For Class 1, 2 and 3 Board members the new remuneration will be effective June 1, 2012.