

## **Alectra Inc. (“Alectra”) Executive Compensation**

### Introduction

This document was developed following best practices and is aligned with similar reports under the *Securities Commission* protocols. It is intended to transparently express the governance inherent in Alectra’s compensation practices as well as the philosophy underpinning key compensation decisions. As an entity incorporated under the *Ontario Business Corporations Act* and regulated under various statutes overseen by the *Ontario Energy Board*, Alectra abides by the laws and regulations, as well as commercial and regulatory principles established under the aforementioned regimes.

The following represents the Alectra Executive Compensation governance, philosophies and the applicable processes used in determining compensation levels.

### Compensation Governance

The HRCC Committee is responsible for reviewing and recommending to the Board for approval the Executive Compensation philosophy and the overall compensation provisions for the Executive Leadership team.

### Executive Compensation Philosophy

Alectra wishes to maintain a compensation program which aligns individual executive performance with Alectra’s long-term business strategy and supports the achievement of the following objectives:

- To achieve synergies in both quantum and timing as per the approved Merger Business Plan;
- To maximize performance in accomplishing Alectra’s strategic plan;
- To attract, motivate and retain executives with skills and experience necessary to achieve the goals in Alectra’s Strategic Plan.

### Process for Benchmarking Executive Compensation

The HRCC will regularly review Alectra’s Executive Compensation philosophy and the terms of the executive plans. To conduct initial work, the HRCC retained Mercer Compensation Consultants to research, review and recommend the efficacy of Alectra’s proposed Executive Compensation philosophy and to benchmark Alectra’s Executive Compensation to market.

The process involved the HRCC Committee working with the consultants to define appropriate comparator organizations. Subsequently, the consultant conducted a survey of the base salary, incentive and the total compensation paid by comparator organizations to positions comparable to those at Alectra, analyzed findings and reported to the HRCC Committee.

This information, in combination with any internal equity considerations, was used to determine the appropriate total compensation with each executive position, which included a mix of base salary, incentive compensation, perquisites and benefits.

### Selection of Comparator Organizations

The HRCC reviewed and selected the comparator organizations with input from Mercer Consulting and Executive Management. The comparator group is comprised of organizations similar in size to Alectra or with whom Alectra might compete for executives in the market including LDCs, other highly regulated sectors, and other industries from where Alectra would source leadership talent.

### Market Position and Components of Executive Compensation

Alectra targets base pay and total direct compensation at the 50<sup>th</sup> percentile of the competitive market. (Total Direct Compensation defined as base pay plus short-term and long-term incentives.)

The HRCC retains and utilizes discretion to compensate an executive outside of this range in appropriate instances based on specific reward, recruitment and retention strategies.

### Executive Salaries

Executive salary ranges are established with reference to Alectra's noted target market position. Actual salaries are determined according to the executive's overall individual performance, skills and experience.

Executive and Senior Management that serve as Directors on Alectra Subsidiary Boards do not receive additional compensation.

### Incentive Plans

Alectra's annual short-term incentive plan ("STIP") is aligned with Alectra's business strategy and its Business Plan. Individual incentive payments are determined through a combination of individual performance and corporate performance measured by the corporate scorecard, with the exception of the CEO and President whose incentive plan is based 100% on the corporate scorecard. The corporate scorecard comprises measures of financial performance, progress in post-merger integration, customer service, and safety.

All management and executive employees participate in this incentive plan, at levels depending on management seniority. STIP for the CEO, President and CFO have targets in a range of 50% - 60% of base annual salary, adjusted up or down subject to performance.

The CEO, President and CFO also participate in a three-year, Long-Term Incentive Plan ("LTIP") where cash payout is made after the end of the three year performance period. The initial LTIP plan covers the three-year performance period 2017 to 2019, and provides for maximum payout equal to 90% - 120% of base annual salary subject to achieving business plan expectations in the integration of Alectra's four predecessor businesses. This initial LTIP plan will vest, and payments if any will be made in 2020.

### Executive Perquisite and Employee Benefits

Alectra executives are provided with the same structure of group benefit coverage available to all employees of Alectra, including, life and disability insurance, medical, extended health benefits and an

enhanced health care spending account. Executives are also entitled to a vehicle allowance, annual executive medical and memberships.

### Retirement Plans

All Alectra employees, and in fact the broader sector, participate in a common retirement plan under OMERS. Contribution rules, retirement options and payout formulas are identical for all employees. Certain executives however are eligible for a cash payment that represents the cost avoided by the Company due to the action of OMERS contribution and income caps with respect to annual incomes including the STIP.

### **Executive 2018 Compensation**

Executive	Title	2018 Base Earnings	2018 Incentive Total (Paid in 2019)	2018 Perquisites	2018 Total Compensation
Bentz, Brian	President & CEO, Alectra Inc.	517,432.61	391,230.00	32,731.03	941,393.64
Cananzi, Max	President, Alectra Utilities Corporation	391,224.83	245,994.90	28,360.88	665,580.61
Basilio, John	EVP & Chief Financial Officer	332,892.02	216,714.98	23,756.18	573,363.18
Nolan, Dennis	EVP & General Counsel and Corporate Secretary	292,284.98	153,393.50	30,394.71	476,073.19
Matovitch, John	EVP, Energy Solutions & Service *	185,384.57	59,686.68	9,787.01	254,858.26
	* Base Earnings reflect 6 months of service				