Report to Strategic Priorities and Policy Committee

To: **Chair and Members**
Strategic Priorities and Policy Committee

From: **Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports**
Tara Pollitt, Deputy City Manager, Legal Services

Subject: **London Hydro Inc. Amended and Restated Shareholder Declaration**

Date: **October 28, 2025**

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports and the Deputy City Manager, Legal Services with the concurrence of the City Manager, the following actions be taken with respect to the London Hydro Inc. Amended and Restated Shareholder Declaration:

a) The attached proposed By-law (Appendix "A") **BE INTRODUCED** at the Municipal Council Meeting to be held on November 4, 2025:

   i) **TO RATIFY AND CONFIRM** the Resolution of the Shareholder of London Hydro Inc. authorizing and approving a 2025 Shareholder Declaration for London Hydro Inc., attached to the By-law as Schedule "1";

   ii) **TO AUTHORIZE** the Mayor and City Clerk to execute the Resolution of the Shareholder; and,

   iii) **TO AUTHORIZE** the Mayor and City Clerk to execute the Shareholder Declaration attached to the Resolution of the Shareholder as Schedule "A".

b) The attached proposed By-law (Appendix "B") To Approve a Recruitment Process for Director Appointments to London Hydro Inc. **BE INTRODUCED** at the Municipal Council Meeting to be held on November 4, 2025 to set out the process established for appointments to the Board of London Hydro Inc.

Executive Summary

The London Hydro Board of Directors approved the request at its meeting on March 31, 2025 to modify the Shareholder Declaration with the proposed amendments that were presented to the City's Strategic Priorities and Policy committee on May 27, 2025. Council referred the proposed amendments to Civic Administration for a report back on the changes. This report provides a summary of the amendments proposed for consideration and adoption by The Corporation of the City of London, as the sole shareholder for London Hydro Inc.

Linkage to the Corporate Strategic Plan

Council's 2023 to 2027 Strategic Plan for the City of London identifies "Well-Run City" as one of eight strategic areas of focus which supports the following:

"The City of London is trusted, open, and accountable in service of the community" which includes increasing transparency and accountability in decision making, financial expenditures, and the delivery of municipal programs and services.

“Londoners experience good stewardship, exceptional and valued service” which supports the expected result of London’s finances are maintained in a transparent, sustainable, and well-planned manner, incorporating intergenerational equity, affordability and environmental, social, and governance considerations.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Strategic Priorities and Policy Committee, meeting on May 27, 2025, Agenda Item 4.1, London Hydro Proposed Amendments to the Shareholder Declaration: https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=117202

Strategic Priorities and Policy Committee, meeting on May 16, 2016, Agenda Item 3(e), London Hydro Inc. – Amended and Restated Shareholder Declaration https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=24719

2.0 Discussion and Considerations

2.1 Background

London Hydro Inc. is a corporation with share capital incorporated under the Business Corporations Act, R.S.O. 1990 c. B16. The Corporation of the City of London (the City) is the sole shareholder. London Hydro Inc. (LHI) is managed by a Board of Directors appointed by City Council. LHI is a regulated electrical Local Distribution Company that is regulated by the Ontario Energy Board (OEB).

As the sole shareholder of London Hydro Inc., the City of London:

- Appoints and/or changes the composition of the Board of Directors
- Receives dividends declared by the Board of Directors
- Determines appropriate governance, by-laws and share structure
- Approves changes in ownership (acquisitions, mergers or sale), subject to the approval of the OEB

The purpose of the shareholder declaration is to outline the expectations of the shareholder relating to the principles of governance and other fundamental principles and policies of the corporation and any subsidiaries. The shareholder declaration provides a greater level of detail and specificity for some of the governance matters addressed in London Hydro’s general operating by-law and the applicable legislation.

The current shareholder declaration was passed by Council on May 17, 2016. At that time, there were a number of significant changes brought forward for consideration that had been reviewed and approved by LHI as the shareholder declaration had been relatively unchanged since 2007.

On April 25, 2023, Municipal Council resolved the following:

> *That the Civic Administration BE DIRECTED to take the following actions with respect to the communications dated April 11, 2023, from the Chair of the London Hydro Board, related to Board recruitment and appointment process, and the impending Board vacancies:*
>
> *a) the impending London Hydro Board vacancies, as outlined in the above-noted communication, BE ADVERTISED using the most recent approach of a broader recruitment process, as appropriate; it being noted that applications will be considered by the Municipal Council, as the Shareholder, at the Annual General Meeting;*

b) the Civic Administration BE DIRECTED to provide to the London Hydro Corporate Governance and Risk Management Committee the applications received in the recruitment process, noted above in part a), for review and consideration (which may include interviews conducted by London Hydro) with a recommendation to be submitted to the Shareholder for consideration of appointments at the Annual General Meeting; and,

c) the Civic Administration BE DIRECTED to take the necessary steps in order to provide for a future amendment to the Shareholder Agreement to formalize the above-noted new process. (5.1/14/SPPC)

Further on June 3, 2025, council resolved the following:

That the communication dated May 15, 2025 from C. Graham, Chair, Board of Directors, London Hydro Inc. regarding the Proposed Amendments to the Shareholders Declaration BE REFERRED to Civic Administration and to report back at a future meeting of the Strategic Priorities and Policy Committee.

This report is in response to the Council direction and provides a summary of the proposed amendments to the Shareholder Declaration.

2.2 What is a Unanimous Shareholder Declaration?

London Hydro operates under the *Business Corporations Act*, R.S.O. 1990, c. B.16. While the City is the sole shareholder, it is not the manager of the corporation. The directors manage and supervise the business, affairs and operations of London Hydro. Directors owe a fiduciary duty solely to the corporation. In exercising their powers and duties they must act honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Section 1.2 of the Shareholder Declaration states:

"Except as and to the extent provided in Section 5.4 and Article 8, this Shareholder Declaration is not intended to constitute a 'unanimous shareholder agreement' under the OBCA or to formally restrict the exercise of the powers of the Board"

Section 108 of the *Business Corporations Act* provides as follows:

Unanimous shareholder agreement

108… (3) Where a person who is the registered holder of all the issued shares of a corporation makes a written declaration that restricts in whole or in part the powers of the directors to manage or supervise the management of the business and affairs of a corporation, the declaration shall be deemed to be a unanimous shareholder agreement.

Where shareholder has power, etc., of director

108 (5) A shareholder who is a party to a unanimous shareholder agreement has all the rights, powers, duties and liabilities of a director of a corporation, whether arising under this Act or otherwise, including any defences available to the directors, to which the agreement relates to the extent that the agreement restricts the discretion or powers of the directors to manage or supervise the management of the business and affairs of the corporation and the directors are relieved of their duties and liabilities, including any liabilities under section 131, to the same extent.

To the extent that section 5.4 and Article 8 of the shareholder declaration restrict the discretion or powers of the directors to manage or supervise the management of the business and affairs of London Hydro, the directors will be relieved of their duties and liabilities, including any liability to employees for wages, and the City, as shareholder,

will acquire all of the rights, powers, duties and liabilities of the directors as it relates to these matters. In such instance, the City as the shareholder will be subject to the same liabilities and obligations as are imposed on directors under the Business Corporations Act and the common law including fiduciary obligations, standard of care, the duty to disclose interest in material contracts and liability for tortious conduct.

2.3 Proposed Amendments to the Shareholder Declaration

The significant changes to the shareholder declaration are in sections 4.6, 4.8, 4.17, and 4.18. These amendments are discussed below by section. Some minor amendments such as new definitions, formatting, and typographical corrections have also been made. All of the proposed amendments submitted by LHI for consideration on May 27, 2025, as well as further refinements and changes since the initial request for amendments, have been reviewed and approved by London Hydro.

2.3.1 Section 4.6 - Directors' Compensation

Currently section 4.6 provides that:

> *The Shareholder shall establish compensation for directors of the Corporation, the Chair and any other officer who are directors of the Corporation in amounts sufficient, in the opinion of the Shareholder acting reasonably, to attract candidates with necessary qualifications and consistent with industry norms and standards for comparable Ontario electricity distribution utilities. A director that is a member of Council shall receive no additional compensation for acting as a director.*
>
> *The Shareholder acknowledges and agrees that if no compensation adjustment is specified by the Shareholder for the directors pursuant to section 8.8, the compensation for the directors shall be increased annually in accordance with the policy of the Council for remuneration of elected official and citizen appointments.*

It is proposed that section 4.6 be amended by added the wording:

> *If the Board makes a recommendation to the Shareholder regarding compensation, it shall be based on the recommendation of an independent consultant with expertise on director compensation at comparable organizations.*

Given the complexity and fiduciary responsibility associated with being a director of LHI, it is deemed important to have remuneration at a minimum to keep pace with inflation and that Board members are fairly compensated compared to similar sized utilities to attract candidates with the necessary qualifications. This amendment sets out the process for which the LHI Board would support bringing forward a recommendation as it would be based on an independent consultant review of comparable municipal organizations for the approval of the shareholder.

2.3.2 Section 4.8 - Vacancies

Currently section 4.8 provides that:

> *The Board shall promptly provide notice to the Shareholder of a vacancy among the directors, other than a vacancy arising due to expiry of a term of a director. The Shareholder shall appoint a director to fill such vacancy.*

It is proposed that section 4.8 be amended by added the wording:

> *All directors shall be appointed to the Board through a process approved by Council from time to time.*

It is recommended that the recruitment process be established by Council for

appointments to the Board of London Hydro Inc. through a separate written process rather than as part of the Shareholder Declaration. Changes to the Board recruitment and appointment process which were previously resolved by Council on April 25, 2023 to bring forward amendments to the Shareholder Declaration have been documented as the "Recruitment Process for London Hydro Inc. Director Appointments" which is recommended to be adopted through a separate by-law. The process as set out allows the London Hydro Board (which must include one City Councillor on the Board) to short-list, interview and submit a recommendation to the Shareholder for consideration of a new Board member to fill any vacancy.

The proposed changes and process are consistent with the Council procedure by-laws in place for Board appointments. The proposed process is attached to this report (Appendix "B") "Recruitment Process for Director Appointments to London Hydro Inc.".

2.3.3 Section 4.17 - Removal of Directors

Section 4.17 is a new section that provides for the necessary steps and process if the situation arises when a Board member should be removed.

> *4.17* ***Removal of Director.*** *If a member of the Board has breached the Corporation's policies or procedures, including the Corporation's Code of Conduct, the Board shall determine an appropriate remedy. If the Board determines that the breach by the concerned member is significant and that the concerned member's resignation is the appropriate remedy, the Chair of the Board (or Vice Chair in the event that the concerned member is the Chair) shall report to the Shareholder so that the Shareholder shall then determine whether to remove the member from the Board of the Corporation.*

2.3.4 Section 4.18 - Attendance of Mayor

Section 4.18 is a new section that provides that the Board Chair may invite the Mayor to a Board or Committee meeting as an observer, but the Mayor shall not have a vote.

> *4.18* ***Attendance of Mayor.*** *The Board Chair may invite the Mayor to any Board or Committee meeting, or any portion thereof as an observer. For greater certainty, the Mayor shall not have a vote at any meeting of the Board of or any Committee while attending as an observer.*

3.0 Next Steps

Pursuant to section 9.1 of the declaration, London Hydro's Board and CEO have been consulted about the proposed revisions.

Appendix A contains a draft by-law. The draft by-law has attached a "Schedule "1" which is the Resolution of the Shareholder. Attached to the Resolution of the Shareholder is "Schedule "A" which is the Shareholder Declaration (2025).

Conclusion

This report provides a summary of the proposed amendments to the Shareholder Declaration as requested by London Hydro as part of the Strategic Priorities and Policy Committee on May 27, 2025. Civic Administration has summarized the proposed amendments to consider in its approval of the amended Shareholder Declaration. Council may proceed to adopt a recommendation to update the Shareholder Declaration. Pursuant to section 9.1 of the declaration, the City has worked with and consulted with London Hydro about the proposed amendments. London Hydro's board and CEO have reviewed and approved the proposed amendments.

Prepared by and Recommended by: **Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports**

Tara Pollitt, Deputy City Manager, Legal Services

Concurred by: **Sandra Datars Bere, City Manager**

Attachments:
Appendix “A” – By-law to ratify and confirm the Resolution of the Shareholder
Appendix “B” – To Approve a Recruitment Process for Director Appointments to London Hydro Inc

Cc Lynn Marshall, Legal Counsel City Solicitor’s Office

APPENDIX “A”

Bill No.
2025

By-law No. A.-

A by-law to ratify and confirm the Resolution of the Shareholder of London Hydro Inc. authorizing and approving a 2025 Shareholder Declaration for London Hydro Inc.

WHEREAS London Hydro Inc. is a corporation incorporated under the *Business Corporations Act* R.S.O. 1990, c.B.16;

AND WHEREAS subsection 104(1)(b) of the *Business Corporations Act* provides that a resolution in writing dealing with all matters required by this Act to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized In writing entitled to vote at the meeting, satisfies all the requirements of this Act relating to that meeting of shareholders;

AND WHEREAS The Corporation of the City of London is the sole shareholder of London Hydro Inc.;

AND WHEREAS Subsection 5(3) of the *Municipal Act, 2001* provides that a municipal power shall be exercised by by-law;

NOW THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. The Resolution of the Shareholder of London Hydro Inc. authorizing and approving the Shareholder Declaration for London Hydro Inc., attached as Schedule "1" is ratified and confirmed.

2. The Mayor and City Clerk are authorized to execute the Shareholder Declaration and the Resolution of the Shareholder ratified and confirmed under section 1 of this by-law.

3. This by-law comes into effect on the day it is passed subject to the provisions of PART VI.1 of the *Municipal Act*, 2001.

Passed in Open Council on November 4, 2025 subject to the provisions of PART VI.1 of the *Municipal Act*, 2001.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First reading - November 4, 2025
Second reading - November 4, 2025
Third reading - November 4, 2025

SCHEDULE "1"

LONDON HYDRO INC.

RESOLUTION OF SHAREHOLDER
to Approve the Shareholder Declaration

WHEREAS subsection 104(1)(b) of the *Business Corporations Act (Ontario)* (the "Act") provides that a resolution in writing dealing with all matters required by the Act to be dealt with at a meeting of shareholders and signed by all the shareholders or their attorney authorized in writing entitled to vote at the meeting, satisfies all the requirements of the Act relating to that meeting of shareholders;

AND WHEREAS The Corporation of the City of London is the sole shareholder of London Hydro Inc.;

AND WHEREAS the following resolution signed by The Corporation of the City of London as the sole shareholder of London Hydro Inc. entitled to vote thereon, is hereby passed pursuant to the provisions of the Act:

NOW THEREFORE BE IT RESOLVED THAT the undersigned (The Corporation of the City of London), being the sole shareholder of London Hydro Inc., hereby approves the Shareholder Declaration for London Hydro Inc. as set out in the attached Schedule "A".

DATED as of the day of , 2025.

THE CORPORATION OF THE CITY OF LONDON

_____

Per: Josh Morgan, Mayor

_____

Per: Michael Schulthess, City Clerk

SCHEDULE "A"

LONDON HYDRO INC.

SHAREHOLDER DECLARATION (2025)

ARTICLE 1
INTERPRETATION

1.1 **Defined Terms.** For the purposes of this Declaration, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

"Affiliate" has the meaning ascribed thereto in the OBCA;
"Board" means the board of directors of the Corporation;
"Business Day" means any day other than a Saturday, Sunday or holiday in the Province of Ontario;
"CEO" means the chief executive officer of the Corporation;
"Chair" means the chair of the Board;
"Corporation" means London Hydro Inc.;
"Council" means the municipal council of the Shareholder;
"Electricity Act" means the *Electricity Act,* 1998 (Ontario) as amended from time to time;
"IESO" means the Independent Electricity System Operator;
"Laws" means laws, regulations., codes, rules and applicable decisions of courts and regulatory, administrative or other governmental or public agencies, boards, tribunals and other bodies;
"Mayor" means the individual elected as the Head of Council of the City of London from time to time;
"Municipal Act" means the *Municipal Act, 2001* (Ontario);
"OBCA" means the *Business Corporations Act* (Ontario);
"OEB" means the Ontario Energy Board;
"OEB Act" means the *Ontario Energy Board Act, 1998* (Ontario) as amended from time to time;
"Ordinary course of business" means any act, conduct, matter or thing required to be done by the Corporation to provide services to the Corporation's customers or as mandated by applicable Laws;
"Shareholder" means the Corporation of the City of London;
"Shareholder Declaration" means this shareholder declaration; and
"Subsidiary" has the meaning ascribed thereto in the OBCA.

1.2 **Purpose.** This Shareholder Declaration outlines the expectations of the Shareholder relating to the principles of governance and other fundamental principles and policies of the Corporation and any Subsidiaries. Except as and to the extent

provided in Section 5.4 and Article 8, this Shareholder Declaration is not intended to constitute a unanimous shareholder agreement under the OBCA or to formally restrict the exercise of the powers of the Board.

1.3 **Amendment and Restatement.** This Shareholder Declaration amends, restates, supersedes and replaces in its entirety the Shareholder Declaration dated June 6, 2016.

ARTICLE 2
PERMITTED BUSINESS ACTIVITIES

2.1 **General Authority.** Subject to the restrictions in Article 8 of this Shareholder Declaration, the Corporation and the Subsidiaries may engage in the business activities which are permitted by any Law applicable to the Corporation and its Subsidiaries from time to time, including without limitation the *Electricity Act (Ontario)* and the OEB Act, as the Board or the respective board of directors of a Subsidiary may authorize, including without limitation the business activities referred to in Section 2.2 as applicable to the Corporation and any Subsidiaries. In so doing, the Corporation and its Subsidiaries shall conform to Laws and, in particular, to all requirements of the OEB, the IESO and all other relevant regulatory or governmental authorities.

2.2 **Enumerated Activities.** The Corporation or one or more Subsidiaries may engage in any one or more of the following business activities and such other business activities as may be permitted by Law and authorized by the Board or the respective board of directors of a Subsidiary from time to time:

(a) transmitting or distributing electricity;

(b) retailing electricity;

(c) business activities that enhance or develop the ability of the Corporation or its Subsidiaries to carry on any of the activities described in paragraphs (a) or (b) above;

(d) business activities the principal purpose of which is to use more effectively the assets of the Corporation or any Subsidiary;

(e) the provision of telecommunication services and the development, ownership, expansion, operation and maintenance of a telecommunications network, whether fibre-optic, wireless or otherwise, and the provision of services that make use of such network, including without limitation wireless connectivity, dark and lit fibre services, sale, lease or other disposal of telecommunications fibre, and related business activities, in support of the Corporation's regulated electricity distribution and transmission business;

(f) renting, selling or maintaining equipment and appliances such as water heaters;

(g) managing or operating, on behalf of the Shareholder, a public utility as defined in Section 1 of the *Public Utilities Act* or providing sewage services;

(h) providing services related to improving energy efficiency including, without limitation, conservation and demand management measures;

(i) providing meter reading, installation and repair services to other utilities and hydro customers; and

(j) entering into joint ventures, whether through investments in corporations or otherwise, partnerships, contacts or other arrangements to provide services to other utilities or the public sector in London, including, without limitation the municipality, universities, schools and hospitals.

2.3 **Statutory Limitation.** It is acknowledged that certain activities contemplated in Section 2.2 may be required to be carried on by one or more Subsidiaries or other Affiliates of the Corporation to be incorporated from time to time in order to comply with applicable laws, including the OEB Act, the Affiliate Relationships Code for Electricity Distributors and Transmitters, and the Corporation's electricity distribution license.

ARTICLE 3
STANDARDS OF GOVERNANCE

3.1 **General Standard.** As required by the OBCA, the Board shall supervise the management of the business and affairs of the Corporation and, in so doing, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

ARTICLE 4
BOARD OF DIRECTORS

4.1 **Number of Directors,** The Corporation shall be governed by the Board which shall consist of seven (7) directors.

4.2 **Composition of Board.** The Board shall be composed of one member of Council and six other "at-large" members.

4.3 **Qualifications of Directors.** In addition to qualifications and requirements for directors as set out in the OBCA and the by-laws of the Corporation, and while it is not necessary that each director possess each of the following qualifications, the Board, as a whole, should possess most or all of the following:

(a) financial and legal knowledge;
(b) a reasonable understanding of accounting and tax matters;
(c) comprehensive understanding of the core business and objectives of the Corporation;
(d) utility industry knowledge;
(e) strategic planning, including human resource planning;
(I) corporate stewardship and risk management;
(g) regulatory knowledge;

(h) experience in a competitive business environment;
(i) awareness of the needs of electric utility customers
(j) awareness of municipal government and local issues
(k) leadership and integrity;
(l) experience and knowledge of London industry; and
(m) experience and expertise in economic development initiatives.

4.4 **Election and Term.** The Board shall be divided into four classes, each of the first three of which shall consist of two directors and the fourth of which shall consist of one director. The term of office for members of the first class shall expire at the annual meeting of shareholders every third year, commencing at the annual meeting to be held during 2007; the term for members of the second class shall expire at the annual meeting of shareholders every third year commencing at the annual meeting to be held during 2008; the term for members of the third class shall expire every third year, commencing at the annual meeting to he held during 2009; and the term for the member of the fourth class shall also expire every third year commencing at the annual meeting to be held during 2007.

At the expiration of each succeeding term of each class, the directors of each class shall, subject to the re-election of any such director, be elected to serve for a three-year term, provided that any member of the fourth class shall be entitled to serve as a director only so long as he or she remains a duly elected member of Council.

A director shall hold office until the annual meeting of shareholders for the year in which his or her term expires and until his or her successor is elected and qualified. Notwithstanding the foregoing, a director may be elected for a term of less than three years.

The election of directors shall be by resolution and shall take place at each annual meeting of shareholders and any directors who retire at such meeting shall, if qualified, be eligible for re- election.

If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.5 **Board Committees.** The Board may establish committees of the Board in the Board's discretion. Such committees may include the following:
(a) Audit Committee: The Audit Committee reports to the Board and is responsible for the coordination and oversight of the Corporation's management and external audit to ensure the effective development and maintenance of adequate financial controls and reporting. The committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Corporation's process for monitoring compliance with laws and regulations and its own

code of business conduct.

(b) Corporate Governance Committee: The Corporate Governance Committee will assist the Board in ensuring that the Corporation operates within a sound corporate governance framework through the development of an appropriate governance structure including policies, processes and procedures that satisfy legal, health and safety and regulatory requirements in this regard, and reflect best practice in the industry. The Corporate Governance Committee shall also monitor the effectiveness of the Corporation's system of corporate governance.

(c) Human Resources and Public Policy Committee: The Human Resources and Public Policy Committee is responsible for providing advice to the Board with respect to Human Resources policies and practices including the review of Employee Policy Manuals, Employee Handbooks, and Collective Agreements.

4.6 **Directors' Compensation.**
The Shareholder shall establish compensation for directors of the Corporation, the Chair and any other officers who are directors of the Corporation in amounts sufficient, in the opinion of the Shareholder acting reasonably, to attract candidates with necessary qualifications and consistent with industry norms and standards for comparable Ontario electricity distribution utilities. If the Board makes a recommendation to the Shareholder regarding compensation, it shall be based on the recommendation of an independent consultant with expertise on director compensation at comparable organizations. A director that is a member of Council shall receive no additional compensation for acting as a director.

The Shareholder acknowledges and agrees that if no compensation adjustment is specified by the Shareholder for the directors pursuant to section 8.8, the compensation for the directors shall be increased annually in accordance with the policy of the Council for remuneration of elected official and citizen appointments.

4.7 **Compensation of Officers of the Corporation.** The Board shall set the compensation for the officers of the Corporation, other than the Chair and any other officers that are directors.

4.8 **Vacancies.** The Board shall promptly provide notice to the Shareholder of a vacancy among the directors, other than a vacancy arising due to expiry of a term of a director. The Shareholder shall appoint a director to fill such vacancy. All directors shall be appointed to the Board through a process approved by Council from time to time.

4.9 **Place of Meetings.** Meetings of the Board may be held at the registered office of

the Corporation or at any other place within the City of London, Ontario.

4.10 **Calling of Meetings.** Meetings of the board shall be held from time to time at such place, on such day and at such time as the Board, the Chair, the CEO, the secretary or any two directors may determine.

4.11 **Notice of Meetings.** Notice of the time and place of each meeting of the Board shall be given to each director not less than 48 hours before the time when the meeting is to be held and need not be in writing.

4.12 **First Meeting of New Board.** Provided a quorum of directors is present, each newly elected Board may without notice hold its first meeting following the annual shareholder meeting at which such Board is elected.

4.13 **Adjourned Meeting.** Notice of an adjourned meeting of the directors is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.14 **Regular Meetings.** The Board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution by the Board fixing the time and place of regular meetings of the Board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

4.15 **Votes to Govern.** Any question at a meeting of the board shall be decided by a show of hands unless a ballot is required or demanded.

4.16 **Chair and Secretary of the Meetings.** The Chair or, in the absence of the Chair, the Vice Chair, or in the absence of both the Chair and the Vice Chair, the CEO if a director or, in the absence of the CEO, a vice-president who is a director, shall be chair of any meeting of the Board. If none of the said officers are present, the directors present shall choose one of their number to be chair of the meeting. The secretary of the Corporation shall act as secretary at any meeting of the Board and, if the secretary of the Corporation is absent, the chair of the meeting shall appoint a person who need not be a director to act as secretary of the meeting.

4.17 **Removal of Director.** If a member of the Board has breached the Corporation's policies or procedures, including the Corporation's Code of Conduct, the Board shall determine an appropriate remedy. If the Board determines that the breach by the concerned member is significant and that the concerned member's resignation is the appropriate remedy, the Chair of the Board (or Vice Chair in the event that the concerned member is the Chair) shall report to the Shareholder so that the Shareholder

shall then determine whether to remove the member from the Board of the Corporation.

4.18 **Attendance of Mayor.** The Board Chair may invite the Mayor to any Board or Committee meeting, or any portion thereof as an observer. For greater certainty, the Mayor shall not have a vote at any meeting of the Board of or any Committee while attending as an observer.

ARTICLES 5
FINANCIAL POLICIES, RISK MANAGEMENT AND STRATEGIC PLANNING

5.1 **Capital Structure.** The Board shall develop and maintain a prudent financial and capitalization structure for the Corporation consistent with industry norms and sound financial principles and established on the basis that the Corporation is intended to be self-financing.

5.2 **Distribution Rates.** The Board shall establish just and reasonable rates for the regulated distribution business of the Corporation which are:

(a) consistent with similar utilities in comparable growth areas and as may be permitted by the OEB and applicable Laws;

(b) intended to enhance the value of the Corporation;

(c) consistent with the encouragement of economic development activity within the City of London, it being noted that under applicable Laws, classes of customers may not be subsidized through rates; and

(d) based on such other factors which the Board shall determine to be reasonable and not inconsistent with the foregoing considerations.

5.3 **Returns.** The Board shall provide the Shareholder with a competitive rate of return relative to other similar utilities.

5.4 **Dividend Policy.** The Board shall use its best efforts to declare and pay a regular dividend to the Shareholder. The payment of any dividend shall be subject to the following:

(a) as a target, annual dividend payment are expected to comprise 40% of annual net earnings of the Corporation;

(b) where annual net earnings of the Corporation exceed normal net earnings, the Board shall consider declaring a special payment in an amount equal to such excess net earnings; and

(c) no dividend is to be declared where to do so would, in the Board's reasonable opinion, impair the Corporation's ability to carry out necessary or appropriate improvements and maintenance of existing infrastructure.

5.5 **Payment of Regular Dividend.** A dividend, if any, will be declared by the Board at its meeting to approve the annual financial statements of the Corporation for the preceding year. Equal payments of the dividend will be made on a quarterly basis to the Shareholder.

5.6 **Return to Shareholder.** Any special payment may be declared by the Board after the review of the annual audited statements of the Corporation. The special payment, if any, will be made within two years of the declaration date on a date or within a range of dates set by the Board.

5.7 **Unregulated Business.** The Board shall seek to maximize profits and the return to the Shareholder on any unregulated, competitive business.

5.8 **Risk Management.** The Board shall manage all risks related to the business conducted by the Corporation and its subsidiaries, through the adoption of appropriate risk management strategies and internal controls consistent with industry norms.

5.9 **Strategic Plan.** The Board shall develop a long range strategic plan for the Corporation and its Subsidiaries which is consistent with the maintenance of a viable, competitive business and preserves the value of the business for the Shareholder.

ARTICLE 6
SHAREHOLDER APPROVALS AND COMMUNICATIONS

6.1 **Communications**. Approvals or decisions of the Shareholder required pursuant to this Shareholder Declaration or the OBCA shall require a by-law of the Shareholder passed at a meeting of Council and, in the case of resolutions under Section 104 of the OBCA, shall be communicated in writing and executed by the Shareholder.

6.2 **Right to Inspect.** Upon an authorizing resolution of the Shareholder (but not otherwise), the auditors of the Shareholder shall have the right, on reasonable notice and during regular business hours, to inspect the accounts, books, records and documents of the Corporation, but such inspection shall not extend to procurements (e.g. RFPs, RFQs and RFIs) of any kind that are underway but not yet completed at the time of inspection.

ARTICLE 7
ANNUAL RESOLUTION AND MEETINGS

7.1 **Annual Report to Shareholder.** The Board shall, not less often than annually and within six months following the end of the fiscal year of the Corporation, report to the Shareholder on matters to be addressed at an annual general meeting of the

Corporation as provided in subsection 154(1) of the OBCA.

7.2 **Annual Meeting or Resolution in Lieu.** Within six months after the end of each fiscal year of the Corporation the Shareholder shall, as appropriate pursuant to this Shareholder Declaration, the bylaws of the Corporation and the OBCA, at an annual meeting or by resolution in lieu of such annual meeting:

(a) elect or re-elect directors of the Corporation to fill any vacancy;

(b) appoint auditors of the Corporation;

(c) receive the audited financial statements of the Corporation for the last completed fiscal year; and

(d) complete such other business as would normally be completed at annual meeting of shareholders under the OBCA.

ARTICLE 8
MATTERS REQUIRING SHAREHOLDER APPROVAL

Without Shareholder approval given in accordance with Section 6.1 of this Shareholder Declaration, the Corporation or any Subsidiary respectively shall not do any one or more of the following:

Statutory Approval Rights.

8.1 change the name of the Corporation or a Subsidiary; add, change or remove any restriction on the business of the Corporation or a Subsidiary; create new classes of shares; or in any other manner amend its articles of incorporation or make, amend or repeal any by-law;

8.2 amalgamate with any other corporation(s) other than amalgamation which may, under the OBCA, be approved by a resolution of directors;

8.3 take or institute proceedings for any winding up, arrangement, or dissolution of the Corporation or its Subsidiaries;

8.4 apply to continue the Corporation or any Subsidiary under the laws of another jurisdiction;

Additional Approval Rights.

8.5 issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class, of the Corporation or any Subsidiaries respectively;

8.6 redeem or purchase any of the Corporation's or its Subsidiaries' outstanding shares;

8.7 enter into any joint venture, partnership, strategic alliance or other venture, including without limitation ventures in respect of the generation or co-generation of electricity if the exposure to the Corporation is $5,000,000 (five million dollars) or more in

the aggregate. In assessing such opportunity, the Shareholder shall follow the Corporate Combination and Disposition Guidelines set out in Schedule "A";

8.8 change, alter or amend the compensation of any member of the Board beyond the prescribed adjustment(s) set forth in Section 4.6 of this Shareholder Declaration;

8.9 borrow money or give security on the assets of the Corporation other than in the ordinary course of business, or in connection with the purchase of assets;

8.10 enter into any agreement, transaction or other arrangement which would cause the municipality to be liable to pay transfer tax under section 94 of the *Electricity Act;*

8.11 sell any distribution assets other than in the ordinary course of business;

8.12 incur any expenditure in respect of an unregulated, competitive business, whether within the regulated distribution company or otherwise, in excess of $5,000,000 (five million dollars) and if in excess of $5,000,000 (five million dollars), any Shareholder approval in respect thereof will require a business plan in support of such expenditure;

8.13 assume any financial obligation that would increase the ratio of debt to equity of the Corporation, on a consolidated basis, above 70:30;

8.14 make any decision or take any action that could reasonably be expected to materially and adversely affect the regulatory or tax status of the Corporation; and

8.15 enter into any agreement or arrangement to dispose of, by way of sale, transfer, exchange or lease, any real property, except in the ordinary course of business.

ARTICLE 9
REVISIONS TO THIS DECLARATION

9.1 **Required Consultation.** The Shareholder acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require and that the Shareholder will consult with the Board and the CEO prior to completing any revisions and will promptly provide the Board and the CEO with copies of such revisions.

ARTICLE 10
CONFIDENTIALITY

10.1 **Dealing with Information.** Subject to applicable Laws, including without limitation the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) and the Municipal Act, the Shareholder shall keep confidential all confidential and/or proprietary information obtained by it relating to the business and affairs of the Corporation.

ARTICLE 11
NOTICES

11.1 **Delivery.** Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered to the Shareholder by the Corporation or Board or to the Corporation or Board by the Shareholder shall be in writing and shall be sufficiently given or sent or delivered if it is

(a) delivered personally,

(b) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada, or

(c) sent by electronic mail (e-mail).

Notices shall be sent to the following addresses or e-mail addresses:

(i) in the case of the Corporation or Board,

c/o London Hydro Inc.
111 Horton Street London, Onterio N6A 4H_
Attention: Corporate Secretary
Email: CorpSecretary@londonhydro.com

(ii) in the case of the Shareholder,

The Corporation of the City of London
300 Dufferin Avenue, London, Onterio N6A 4L9
Attention: City Clerk
Email: CityClerk@london.ca

or to such other address or email address as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall:

(a) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;

(b) if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the fourth Business Day following the date of mailing, unless at any time between the date of mailing and the fourth Business Day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown, affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service; and

if sent by email, be deemed to have been given, sent, delivered and received on the date the sender sent the email.

IN WITNESS WHEREOF the undersigned has executed this declaration this _____ day of _____, 2025.

THE CORPORATION OF THE CITY OF LONDON

BY: _____

Print Name: Josh Morgan

Title: Mayor

BY: _____

Print Name: Michael Schulthess

Title: City Clerk

ACKNOWLEDGED this_____ day of _____, 2025,

LONDON HYDRO INC.

By: _____

Print Name:

Title:

By: _____

Print Name:

Title:

SCHEDULE "A"

to Shareholder Declaration of Corporation

Corporate Combination and Disposition Guidelines

The Shareholder has acknowledged that the OEB policies and approvals are encouraging a reduction in the number of electricity utilities in Ontario through mergers, acquisition or sale. It is inevitable that the Corporation will have to combine with another utility based on the current policy and regulatory environment.

The Shareholder is mindful of the significance of these matters and the amount of work and effort that is necessary to meet the requirements defined by these guidelines. In order to encourage the Board Management of the Corporation to seek out appropriate opportunities and to ensure a full and proper consideration of such proposals by all parties including the Shareholder, as sole shareholder, any opportunities submitted in accordance with these guidelines will be presented to Council.

The following guidelines should be considered in the evaluation of any corporate combination such as a proposal for merger, sale or acquisition:

1) In the case of a merger:

(a) the newly combined entity should provide an opportunity for increased investment value to the Shareholder and/or lower electricity costs for Londoners;

(b) the newly combined entity should have a strong local presence and preferably be headquartered or have a regional office in London;

(c) the Shareholder should not be unduly constrained from disposing of its investment in the new entity, in a reasonable timeframe and manner;

(d) the newly combined entity should have a governance structure that is commensurate with the Shareholder's investment in the new entity;

(e) the proposed combination presents the best strategic objective to the Shareholder given the existing and expected future policy and regulatory environment in Ontario over the next ten to fifteen years.

2) In the case of an acquisition:

(a) any proposed acquisition will not require additional financing from the Shareholder;

(b) the proposed acquisition presents the best strategic objective to the Shareholder given the existing and expected future policy and regulatory environment in Ontario over the next ten to fifteen years.

3) In the case of any contemplated corporate disposition, including a transaction that results in the dilution of the Shareholder's wholly-owned investment in the Corporation, or disposes or leases substantially all of the Corporation's assets other than in the normal course of business:

(a) the disposition should demonstrate that the new entity would lead to lower electricity costs to Londoners than otherwise would exist, without degradation or existing capital infrastructure or service levels;

(b) it should be demonstrated that the return on investment of reinvested disposition proceeds is greater than the return expected to be provided under the current investment in the Corporation, or then contemplated under other proposed business combinations or alternatives;

(c) after disposition, the new entity would maintain a strong regional presence in London and ideally London would serve as a regional centre for the new entity;

(d) the sale should not be subject to any transfer tax by the Ontario Government and;

(e) the disposition presents the best strategic objective to the Shareholder given the existing end expected future policy and regulation environment in Ontario over the next ten to fifteen years.

APPENDIX "B"

Bill No.
2025

By-law No. A.-

A by-law to approve a Recruitment Process for Director Appointments to London Hydro Inc.

WHEREAS London Hydro Inc. is a corporation incorporated under the *Business Corporations Act* R.S.O. 1990, c.B.16;

AND WHEREAS subsection 104(1)(b) of the *Business Corporations Act* provides that a resolution in writing dealing with all matters required by this Act to be dealt with at a meeting of shareholders, and signed by all the shareholders or their attorney authorized in writing entitled to vote at the meeting, satisfies all the requirements of this Act relating to that meeting of shareholders;

AND WHEREAS The Corporation of the City of London is the sole shareholder of London Hydro Inc.;

AND WHEREAS subsection 9 of the *Municipal Act, 2001,* S.O. 2001, c.25, as amended, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS subsection 5(3) of the *Municipal Act, 2001,* S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by by-law;

NOW THEREFORE the Council of The Corporation of the City of London hereby enacts as follows:

1. That, in accordance with section 4.8 of the Shareholder Declaration, the process for appointing Directors to the Board of London Hydro Inc, attached as Schedule "1" of this by-law is hereby authorized and approved.

2. This by-law comes into force and effect on the day it is passed subject to the provisions of PART VI. 1 of the *Municipal Act,* 2001.

PASSED in Open Council on November 4, 2025 subject to the provisions of PART VI. 1 of the *Municipal Act,* 2001.

Josh Morgan
Mayor

Michael Schulthess
City Clerk

First reading – November 4, 2025
Second reading – November 4, 2025
Third reading – November 4, 2025

SCHEDULE "1"

RECRUITMENT PROCESS FOR LONDON HYDRO INC. DIRECTOR APPOINTMENTS

The following appointment process is established as the process for appointing Directors to the Board of London Hydro Inc, pursuant to section 4.8 of the Shareholder Declaration; it being noted that the process shall be informed by foundational principals such as anti-racism, anti-oppression, inclusion and participation, good governance, leadership and accountability:

1. The **London Hydro Board** ("**Board**") shall promptly provide notice to **The Corporation of the City of London** ("**Shareholder**") of a vacancy among the directors, other than a vacancy arising due to expiry of a term of a director.

2. The **Board** shall work with the City Clerk's Office to obtain expressions of interest from qualified individuals to serve on the **Board**.

3. The **Board** and the City Clerk may solicit expressions of interest in serving as a director as follows:
   (i) by advertising in a newspaper having general circulation in the municipality;
   (ii) by a posting on London Hydro's and/or the City of London's website; and
   (iii) in any other manner determined by the City Clerk or the **Board**, acting reasonably.

4. The **Board** (or a Committee of the Board that must include the Class IV elected official) will be responsible for shortlisting candidates and conducting interviews with candidates who applied within the defined period.

5. The **Board** will provide the name(s) of the individual(s) it recommends to the City Clerk.

6. The City Clerk will provide to the appropriate Committee of Council for the **Shareholder's** consideration for appointment to the **Board**:
   (i) the names of individuals that the **Board** recommends; and
   (ii) the names of all applicants.

7. The **Shareholder** may request the **Board** to bring forward another **Board** recommendation for the **Shareholder's** consideration.

8. The **Shareholder** shall make the final decision on appointments. In making its final decision, the **Shareholder** will take the recommendation of the **Board** into serious consideration.