



GOVERNANCE

SUSTAINABLE DEVELOPMENT REPORT 2019

Innergex Renewable Energy Inc. (“Innergex” or the “Corporation”) is a renewable power producer incorporated under the Canada Business Corporations Act. Its shares are listed on the Toronto Stock Exchange under the symbols INE, INE.PR.A and INE.PR.C, and its convertible debentures are listed under the symbols INE.DB.B and INE.DB.C.



INNERGEX

Renewable Energy.
Sustainable Development.



AT INNERGEX, GOVERNANCE HAS LONG BEEN A KEY DRIVER BEHIND OUR SUCCESSFUL GROWTH OVER THE PAST 30 YEARS. BY SETTING THE EXAMPLE BY WHICH DIRECTORS, EMPLOYEES AND SUPPLIERS OF THE CORPORATION SHOULD CONDUCT THEMSELVES IN ALL BUSINESS MATTERS, INNERGEX HAS DEVELOPED INTO A TRUSTWORTHY, RELIABLE AND TRANSPARENT PARTNER.

By providing the guidance to achieve our goals through our daily operations, Innergex has grown into a respected independent power producer in Canada, with a firm and growing international presence.

The Board of Directors supports Innergex in its mission to build a better world with renewable energy. Our commitment to the three pillars of sustainability – environmental protection, social development and economic development – are mutually reinforcing. Environmental, Social and Governance (“ESG”) standards have been integrated in the highest decision-making process to better manage risk and generate sustainable, long-term returns.

In 2019, Innergex was governed by a diverse, experienced and committed nine-member Board with the primary goal of ensuring Innergex’s sustainable, long-term success. Innergex is committed to integrating sustainable development considerations in all aspects of its business, including its strategic planning, decision-making, management, and operations.

BOARD COMPOSITION [As at December 31]

2019	Female	Male	TOTAL
INDEPENDENT MEMBERS	3	5	8
NON-INDEPENDENT MEMBER	--	1 ¹	1
TOTAL	3	6	9
AVERAGE AGE	58	64	62.2

2018	Female	Male	TOTAL
INDEPENDENT MEMBERS	2	5	7
NON-INDEPENDENT MEMBER	--	1 ¹	1
TOTAL	2	6	8
AVERAGE AGE	55	63.6	61.5

¹ The only non-independent member is the President and Chief Executive Officer of the Corporation. Three women (37.5%) and five men (62.5%) sit on the Board as independent directors. Director independence is determined within the meaning of the Canadian Securities Administrators’ Regulation 58-101 – Respecting Disclosure of Corporate Governance Practices. The Chair of the Board of Directors is independent.

On May 23, 2019, the Corporation announced completion of the sale of its wholly owned subsidiary Magma Energy Sweden A.B., which owns an equity interest of approximately 53.9% in HS Orka hf, owner of two geothermal facilities in operation, one hydro project in development and prospective projects in Iceland. As a result, they are not included in this document.

All data in this report are for the years ended December 31, 2019 and 2018, except when otherwise noted.

In 2019, **33%** of the members OF THE BOARD WERE WOMEN

Innergex values diversity of gender, ethnicity, and nationality, and is committed to ensuring that the recruitment of the best available potential candidates is made without discrimination. At the Board level, the *Policy Regarding Board Diversity* aims to foster diversity in general and on the Board when identifying and selecting new candidates for election to the Board. A variety of criteria, including age, geography, and the representation of individuals from the following groups: women, Indigenous peoples, persons with disabilities and members of visible minorities are considered to ensure that the Board benefits from the broader exchange of perspectives made possible by diversity of thought, background, skills and experience.

GOVERNANCE STRUCTURE

The Innergex Board of Directors is composed of nine members – eight independent including the chair, and one non-independent, who serves as President and CEO of the Corporation.

Several internal committees, each composed of three independent members, provide ancillary advisory advice and recommendations to the main body. These committees include:

- The Corporate Governance Committee;
- The Audit Committee; and
- The Human Resources Committee.

The main role of the **Corporate Governance Committee** is to provide recommendations concerning corporate governance, board assessment, and the selection of nominees for election to the Board. The main roles of the **Audit Committee** are to maintain a relationship with the external auditor, oversee financial information and public disclosures, complaints regarding auditing matters, hiring policies, and review and assess management’s program of risk assessment. The main roles of the **Human Resources Committee** are to oversee the senior management compensation policies and practices, supervise the succession planning process for the senior management, and assess the overall human capital management strategy.

In 2019, there were eight full Board meetings, six Audit Committee meetings, four Human Resources Committee meetings, and three Corporate Governance Committee meetings.

Innergex’s governance practices are formalized through a series of Charters for the Board of Directors and each of its committees, and through a series of Policies for the Corporation outlined in the Policy section below.

MAKING SOUND DECISIONS

Members of the Board conduct their duties by remaining constantly informed of emerging and evolving issues, opportunities and risks not only within the industry but with any regulatory changes that pertain to our business. As such, they are routinely provided with continuing educational tools and resources to ensure they are ready for the most thoughtful and diligent decision-making process and are equipped to anticipate and manage risks to ensure the Corporation can continue to generate sustainable, long-term returns.

The combined attendance by directors at Board and Committee meetings was

98% in 2019

In 2019, Board members were provided with the following continuing education activities:

- Presentation on Climate Change on December 16, 2019
- Presentation on Innovation: Batteries and other technologies on December 16, 2019
- Visit to the Phoebe solar project in Texas on November 12, 2019
- Presentation on methods of Directors' compensation by external consultants on October 22 and November 4, 2019
- Presentation on Corporate Governance recent developments and trends on October 22, 2019

The Corporation also subscribes for a Global membership for the Board of Directors with the Institute of Corporate Directors. This membership ensures that the Corporation's directors benefit from and have access to quality up-to-date information, tools and training on corporate governance issues.

DURABLE AND SKILLED LEADERSHIP

The members of the Board bring a long list of professional, diverse, and essential skills and experience to oversee the governance, and manage the risks, of the Corporation.

Board members must have an appropriate mix of skills, knowledge and experience in business and an understanding of the geographical areas in which the Corporation operates. Members are required to have experience and expertise in the fields of:

- Renewable Power Industry
- Audit / Financial
- Human Resources / Compensation
- Operations / Maintenance / Construction / Engineering
- Health & Safety
- ESG Criteria
- Public Affairs and Regulatory / Communication
- Investment Banking / Financing
- Legal
- Mergers and Acquisitions
- Strategic Planning

For a complete list of skills and experience our Board members bring to the table, please refer to the Skills Matrix in our latest Management Information Circular.

Maintaining a strong and dedicated Board ensures that the mission of the organization will continue to be well-understood by the decision makers at all levels from the Board to the executive and management.

SUSTAINABLE ACTIONS

Sustainable value creation means that Innergex engages in activities that balance the 3Ps: People, our Planet, and Prosperity. Community support, environmental consideration, and shareholder value define our mission of building a better world with renewable energy. Driven by our values and key principles, we strive to achieve our vision of a better world where abundant renewable energy promotes healthier communities and creates shared prosperity.



The Board of Directors considers addressing the effects of climate change a priority. By managing the risks and opportunities associated with climate change, Innergex is not only better positioned to grow its output of renewable energy, but better prepared to address risks inherent in our sector.

The Board also provides support to the executive and management to proactively manage development and operational risks. Though risks cannot always be identified or eliminated from the Corporation's activities, the Board aims to ensure that risks are identified, reduced and mitigated where possible.

The Sustainable Development Policy articulates Innergex's commitment to integrating sustainable development considerations in all aspects of its business, including its strategic planning, decision-making, management, and operations.

In 2019, the Board added ESG Criteria to its Skills Matrix. This matrix identifies the key skills and areas of strength which it believes are important to oversee the business and the growth of the Corporation, guide management and properly manage the risks the Corporation is facing. The ESG Criteria defines Board or management experience in, or understanding of, environmental policies, managing and evaluating environmental risks (for the Environment criteria); relationships with employees, communities and partners (for the Social criteria); and governance/corporate responsibility practices with a public company or other major organization, culture of accountability and transparency (for the Governance criteria).

CYBERSECURITY

Information security is an essential function that allows us to conduct our daily business activities with the confidence that our perimeter is properly protected. Our Information Technologies (IT) department employs a comprehensive cybersecurity program guided by IT Security Policies, standards, procedures and guidelines which frame the protection of all our assets and work diligently to promote an internal culture that educates employees and promotes awareness.

The IT Security Program establishes the information security requirements for the protection of all Innergex information and system assets. It also ensures all employees are aware of associated risks involved in the online management of our business especially as a considerable portion of it is done remotely due to the nature of our activities.

Average combined tenure
of all Board members on
December 31, 2019 was

6.3 YEARS

All employees are encouraged to read the corporate Information Security Policy carefully in order to familiarize themselves with its content to ensure an understanding of information security risks and their responsibilities at Innergex.

The Audit Committee periodically receives reports from the IT department on security posture and cyber risk management.

CODE OF CONDUCT

Innergex's Code of Conduct sets the standard and provides guidance as to our expectations for all employees, officers, consultants, members of the Board of Directors and others when representing the Corporation. Its purpose is to provide guidelines to ensure that Innergex's reputation for integrity and good corporate citizenship is maintained through adherence to high ethical standards, backed by open and honest relations among employees, shareholders, directors, officers, suppliers, host communities, partners and other stakeholders. Innergex revises and updates its Code of Conduct on a regular basis (most recent update completed November 2019) and provides copies and training sessions on its content each year to all employees and directors.

96% of employees returned affirmation declarations that they had read, understood, and committed to the values contained within the Code of Conduct

INNERGEX RENEWABLE ENERGY INC. POLICIES

Our corporate policies outline the principles reflected in our governance and contain the guidelines governing our actions. The Board regularly reviews existing policies and makes recommendations based on the needs of the Corporation. Policies are revised or new ones adopted as deemed necessary by the Board to improve corporate performance and responsibility. The two newest policies adopted by the Board were in 2018, the Anti-Corruption and Anti-Bribery Guidelines, and the Statement of Principle – Safeguard and Promotion of Human Rights at Innergex.

The 14 policies that guide the Corporation and its employees to ensure compliance in all aspects of its business are:

- Anti-Corruption and Anti-Bribery Guidelines (Adopted 2018)
- Environment, Health and Safety Policy (Adopted 2018)
- Executive Incentive Compensation Recoupment Policy (Revised 2019)
- Information Disclosure Policy (Revised 2019)
- Insider Trading Policy (Revised 2019)
- Majority Vote Policy (Revised 2017)
- Policy Regarding Board Diversity (Revised 2018)
- Policy Regarding Minimum Shareholding by Directors and Officers (Revised 2017)
- Say on Pay Policy (Adopted 2015)
- Shareholder Engagement Policy (Revised 2019)
- Statement of Principle – Safeguard and Promotion of Human Rights at Innergex (Adopted 2018)
- Sustainable Development Policy (Adopted 2015)
- Whistle-Blowing Policy (Revised 2017)
- Workplace Environment Free of Harassment, Violence and Bullying Policy (Revised 2018)

THREE OF THE CORPORATION'S MOST IMPORTANT AND CONSEQUENTIAL POLICIES THAT FORM THE BACKBONE OF OUR COMMITMENT TO THE HIGHEST ETHICAL STANDARDS ARE:

WHISTLE-BLOWING POLICY

This policy establishes principles and guidance for current and former employees and Board members to communicate events of serious concerns about the Corporation. In 2017, Innergex instituted EthicsPoint, a comprehensive, easily accessible and confidential reporting tool to communicate issues and concerns associated with unethical or illegal activities safely and honestly with management or the Board of Directors while maintaining anonymity and confidentiality.

PREVENTING CORRUPTION AND BRIBERY

Achieving high standards of ethical behaviour at Innergex means that neither an employee, Board member or third party acting on its behalf will engage, directly or indirectly, in bribery, kick-backs, payoffs, extortion, fraud, embezzlement, money laundering, illegal financing of political parties, facilitation payments or any other illegal or fraudulent business practices. The Anti-Corruption and Anti-Bribery Guidelines outline the rules in place to ensure team members act in accordance with Innergex's core values and expectations while complying with applicable anti-bribery or anti-corruption laws. The use of the Corporation's funds or assets, as well as the use of personal funds or assets, for any unlawful, improper, or unethical purpose is strictly prohibited. There are also very strict rules for the giving or receiving of gifts, entertainment or charitable donations; relations with public officials; and the conduct of third-party representatives. These guidelines are reviewed every year by the Board of Directors of Innergex.

SAFEGUARDING HUMAN RIGHTS

Innergex is committed to respecting human rights in all aspects of its activities and irrespective of the geographical location where it conducts business. We require that all directors, management, employees, as well as third parties acting for or on behalf of the Corporation ("Innergex Team Members") comply with the requirements laid out in this statement in all aspects of our business including in procurement, decision-making, management and operations. When seeking to enter into an agreement for the supply of goods or services, Innergex Team Members should seek to obtain a commitment to comply with the terms of our Statement from their representatives. No violation of human rights will be tolerated by or within Innergex.

Our policy, which supports the principles contained within the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, acknowledges that we all have a responsibility and part to play in ensuring all stakeholders are treated with dignity and respect.

For more information on Governance please visit our Sustainability Reporting Initiative at sustainability.innergex.com

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Sustainable Development.

[innergex.com](https://www.innergex.com)
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