

**INNERGEX**

Renewable Energy.  
Sustainable Development.

# SUSTAINABLE DEVELOPMENT REPORT

AT DECEMBER 31, 2014

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AND CHIEF EXECUTIVE OFFICER

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#### FORWARD-LOOKING INFORMATION

To inform readers of Innergex's (the "Company's") future prospects, this report contains forward-looking information within the meaning of applicable securities laws ("Forward-Looking Information"). Forward-Looking Information can generally be identified by the use of words such as "approximately", "may", "will", "could", "believes", "expects", "intends", "should", "plans", "potential", "project", "anticipates", "estimates", "scheduled" or "forecasts", or other comparable terminology that state that certain events will or will not occur. It represents the projections and expectations of the Company relating to future events or results, as of the date of this document. FUTURE-ORIENTED FINANCIAL INFORMATION: Forward-Looking Information includes future-oriented financial information or financial outlook within the meaning of securities laws, such as projected revenues, projected Adjusted EBITDA, and projected Free Cash Flow, to inform readers of the potential financial impact of expected results, of the expected commissioning of development projects, of the Company's ability to sustain current dividends and dividend increases and of its ability to fund its growth. Such information may not be appropriate for other purposes. ASSUMPTIONS: Forward-Looking Information is based on certain key assumptions made by the Company, including those concerning hydrology, wind regimes and solar irradiation, performance of operating facilities, financial market conditions and the Company's success in developing new facilities. RISKS AND UNCERTAINTIES: Forward-Looking Information involves risks and uncertainties that may cause actual results or performance to be materially different from those expressed, implied or presented by the Forward-Looking Information. These are referred to in the Company's Annual Information Form in the "Risk Factors" section and include, without limitation: the ability of the Company to execute its strategy for building shareholder value; its ability to raise additional capital and the state of capital markets; liquidity risks related to derivative financial instruments; variability in hydrology, wind regimes and solar irradiation; delays and cost overruns in the design and construction of projects; health, safety and environmental risks; uncertainties surrounding the development of new facilities; obtaining of permits; variability of installation performance and related penalties; equipment failure or unexpected operations and maintenance activity; interest rate fluctuations and refinancing risk; financial leverage and restrictive covenants governing current and future indebtedness; the possibility that the Company may not declare or pay a dividend; the ability to secure new power purchase agreements or to renew any power purchase agreement; changes in governmental support to increase electricity to be generated from renewable sources by independent power producers; the ability to attract new talent or to retain officers or key employees; litigation; performance of major counterparties; social acceptance of renewable energy projects; relationships with stakeholders; equipment supply; changes in general economic conditions; regulatory and political risks; the ability to secure appropriate land; reliance on power purchase agreements; availability and reliability of transmission systems; increases in water rental cost or changes to regulations applicable to water use; assessment of water, wind and sun resources and associated electricity production; dam failure; natural disasters and force majeure; foreign exchange fluctuations; sufficiency of insurance coverage limits and exclusions; a credit rating that may not reflect actual performance of the Company or a lowering (downgrade) of the credit rating; potential undisclosed liabilities associated with acquisitions; integration of the facilities and projects acquired and to be acquired; failure to realize the anticipated benefits of acquisitions; reliance on shared transmission and interconnection infrastructure; and the fact that revenues from the Miller Creek facility will vary based on the spot price of electricity. Although the Company believes that the expectations and assumptions on which Forward-Looking Information is based are reasonable under the current circumstances, readers are cautioned not to rely unduly on this Forward-Looking Information since no assurance can be given that it will prove to be correct. Forward-Looking Information contained herein is made as at May 1, 2015 and the Company does not undertake any obligation to update or revise any Forward-Looking Information, whether as a result of events or circumstances occurring after the date hereof, unless so required by legislation. The principal assumptions, risks and uncertainties concerning specific Forward-Looking Information contained in this document are more fully outlined on page 41 of this document.

#### NON-IFRS FINANCIAL MEASURES DISCLAIMER

Some measures referred to in this report are not recognized measures under IFRS and therefore may not be comparable to those presented by other companies. Innergex believes that these indicators are important, as they provide management and the reader with additional information about the Company's production and cash generation capabilities, its ability to sustain current dividends and dividend increases and its ability to fund its growth. These indicators also facilitate the comparison of results over different periods. Adjusted EBITDA, Free Cash Flow and Payout Ratio are not measures recognized by IFRS and have no standardized meaning prescribed by IFRS. References in this document to "Adjusted EBITDA" are to revenues less operating expenses, general and administrative expenses and prospective project expenses. References to "Free Cash Flow" are to cash flows from operating activities before changes in non-cash operating working capital items, less maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends declared and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro Limited Partnership for the wheeling services to be provided to other facilities owned by the Company over the course of their PPA, plus or minus other elements that are not representative of the Company's long-term cash generating capacity, such as transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and realized losses or gains on derivative financial instruments used to hedge the interest rate on project-level debt. References to "Payout Ratio" are to dividends declared on common shares divided by Free Cash Flow. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings and Free Cash Flow should not be construed as an alternative to cash flows from operating activities, as determined in accordance with IFRS.





## MESSAGE FROM THE PRESIDENT AND CEO

# FROM BALANCE COMES SUSTAINABILITY



**S**ustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

At Innergex, we are very proud of our commitment to produce renewable energy exclusively. We have come to know that sustainable development isn't just about what we do, but also about how we do it. Our success has been founded on developing good projects, which for us means projects that are accepted by the local community, respectful of the environment, and economically viable both for us and for the electric utilities we service – in other words, projects that strike a balance between social, environmental, and economic considerations. Over the years, management has intuitively applied these principles of sustainability in building the Company, based on our long-term mindset.

In doing this, Innergex has made social acceptability the cornerstone of its development strategy. We have demonstrated leadership and innovation in building lasting relations, sharing the economic benefits of our projects and forming partnerships with local communities and First Nations, often creating industry standards for others to follow.

At the same time, Innergex has made environmental sustainability the backbone of its development strategy. Recognizing that any economic activity has an impact on the environment, we believe that all reasonable measures can and should be taken to avoid or minimize this impact. Independent power producers must abide by strict federal and provincial

regulations designed to protect the environment, from project conception to site operation and restoration. In this area, too, we have demonstrated leadership and innovation in meeting, and sometimes exceeding, the strictest environmental standards.

It is only fitting, as we celebrate our 25th anniversary, to acknowledge that our success is deeply rooted in the principles of sustainability and that the course we originally set remains just as relevant today – if not more so. We reaffirm our mission to increase our production of renewable energy by developing and operating high-quality facilities while respecting the environment and balancing the best interests of the host communities, our partners, and our shareholders. In conducting our business, we strive to achieve a balance between economic, social and environmental considerations and we commit ourselves to planning, deciding, managing and operating through the lens of sustainable development. We recognize that this is a continuous improvement process, and we are especially pleased to publish our first sustainable development report as an important means of demonstrating our transparency and accountability to our partners and stakeholders. It is also a means by which we invite them to continue our dialogue. ●

*Michel Letellier, President and  
Chief Executive Officer of Innergex*

➔ Read Innergex's [Sustainable Development Policy](http://innergex.com) at [innergex.com](http://innergex.com).

# ABOUT INNERGEX

Innergex Renewable Energy Inc. (“Innergex” or the “Company”) is a leading independent renewable power producer founded in 1990. The Company develops, owns, and operates run-of-river hydroelectric facilities, wind farms, and solar photovoltaic farms and is active mainly in Canada. At December 31, 2014, the Company had 33 operating facilities with a total net installed capacity of 687 MW (1,194 MW gross) and five development projects with a total net installed capacity of 208 MW (319 MW gross), for which power purchase agreements have been secured. It also had several prospective projects with an aggregate net capacity totalling more than 3,190 MW. Innergex is 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 symbol INE.DB. ●



## OUR MAJOR SHAREHOLDERS

holding more than 10% of shares outstanding

Dynamic Funds,  
a division of 1832 Asset  
Management L.P.

**18.4%**

Caisse de dépôt et  
placement du Québec

**10.4%**

## OUR CUSTOMERS

We produce and sell electricity under long-term fixed-price contracts with the electric utilities operating in each of our respective geographic markets.

CUSTOMER	PROVINCE/ STATE	PORTION OF 2014 REVENUES
Hydro-Québec	Quebec	41%
BC Hydro	British Columbia	48%
Independent Electricity System Operator and the Ontario Electricity Financial Corporation	Ontario	9%
Idaho Power Corporation	Idaho	1%

## INNERGEX IS

**One product:**

electricity produced from renewable energy

**\$242** million in revenues

and **\$180** million in Adjusted EBITDA

**153** employees<sup>1</sup>

**33** operating facilities

**\$3.0** billion in Enterprise Value, including \$1.6 billion in long-term debt and \$1.2 billion in market capitalization

In Canadian dollars.

<sup>1</sup> Excludes employees of Cartier Wind Energy Inc., which is owned and managed separately.

All data in this report are for the year ended December 31, 2014.





## INSTALLED CAPACITY AND ELECTRICITY PRODUCED

	QC	ON	BC	ID	TOTAL
<b>NUMBER OF SITES</b>					
<b>HYDRO</b>	9	3	13	1	26
<b>WIND</b>	6	--	--	--	6
<b>SOLAR</b>	--	1	--	--	1
<b>TOTAL</b>	<b>15</b>	<b>4</b>	<b>13</b>	<b>1</b>	<b>33</b>
<b>GROSS INSTALLED CAPACITY (MW)</b>					
<b>HYDRO</b>	137	36	365	10	547
<b>WIND</b>	614	--	--	--	614
<b>SOLAR</b>	--	33	--	--	33
<b>TOTAL</b>	<b>751</b>	<b>69</b>	<b>365</b>	<b>10</b>	<b>1,194</b>
<b>CONSOLIDATED ENERGY OUTPUT (GWH)</b>					
<b>HYDRO</b>	606	84	1,510	45	2,245
<b>WIND</b>	677	--	--	--	677
<b>SOLAR</b>	--	40	--	--	40
<b>TOTAL</b>	<b>1,283</b>	<b>124</b>	<b>1,510</b>	<b>45</b>	<b>2,962</b>

This is the total installed capacity of the Company's 33 facilities.

Production as reported in the Company's 2014 Management Discussion & Analysis. Takes into account the full or proportionate consolidation of facilities and excludes the Umbata Falls and Viger-Denonville facilities treated as joint ventures under IFRS.

Please refer to the table on p.6 for more information.

## WORKFORCE DATA

	FEMALE	MALE	TOTAL
<b>BY EMPLOYMENT TYPE</b>			
<b>FULL-TIME</b>	41	90	131
<b>PART-TIME</b>	7	15	22
<b>BY EMPLOYMENT CONTRACT</b>			
<b>PERMANENT</b>	41	93	134
<b>TEMPORARY</b> (fixed term and other)	7	12	19
<b>BY REGION</b>			
<b>CANADA</b>	48	102	150
<b>USA</b>	0	3	3
<b>TOTAL</b>	<b>48</b>	<b>105</b>	<b>153</b>

Excludes employees of Cartier Wind Energy Inc., which is owned and managed separately.

	FEMALE	MALE	TOTAL
<b>TOTAL WORKFORCE</b>			
<b>EMPLOYEES</b>	48	105	153
<b>SUPERVISED WORKERS</b>	0	0	0
<b>BOARD OF DIRECTORS<sup>1</sup></b>	0	6	6

<sup>1</sup> At the time of writing, a female candidate has been nominated to stand for election as Director of the Company at the annual meeting of shareholders to be held on May 13, 2015, bringing the total number of directors to seven. If elected, she will take office in October 2015.



## OUR FACILITIES

In total, 18 of the Company's operating facilities and development projects are wholly owned, while 20 are owned in partnership with local communities or First Nations, corporations or financial entities.

In 2014, **almost two-thirds** of our consolidated revenues came from facilities that are owned in partnership with a corporate, financial, local community or First Nations partner. Total distributions of cash flows to equity owners reached \$14.0 million.

Includes the Umbata Falls and Viger-Denonville facilities treated as joint ventures under IFRS.

ENTITY, OPERATOR OR SUBSIDIARY	FACILITY OR PROJECT	% DIRECT OR INDIRECT INNERGEX OWNERSHIP	DIRECT OR INDIRECT PARTNER	IFRS ACCOUNTING TREATMENT
	Ashlu Creek Batawa Brown Lake Chaudière Glen Miller Horseshoe Bend Miller Creek Montmagny Northwest Stave River Portneuf (1-2-3) Rutherford Creek Stardale St-Paulin Windsor ⚡ Tretheway Creek ⚡ Big Silver Creek	100%	---	Full consolidation
Cartier Wind Energy Inc. ("Cartier")	Baie des Sables L'Anse-à-Valleau Carleton Gros-Morne Montagne Sèche	38% (50% of management)	<b>C</b> TransCanada Corp	Proportionate consolidation
Creek Power Inc.	⚡ Fitzsimmons Creek ⚡ Boulder Creek ⚡ Upper Lillooet River	66 2/3%	<b>C</b> Ledcor Power Group Ltd	Full consolidation with non-controlling interest
Harrison Hydro Limited Partnership	Douglas Creek Fire Creek Lamont Creek Stokke Creek Tipella Creek Upper Stave River	50.01%	<b>FE</b> CC&L Harrison Hydro Project Limited Partnership LPF (Surfside) Development L. P.	Full consolidation with non-controlling interests
Innergex Sainte-Marguerite, S.E.C.	SM-1	50.01%	<b>FE</b> Desjardins Group Pension Plan	Full consolidation with non-controlling interest
Kwoiek Creek Resources Limited Partnership	Kwoiek Creek	50% of votes	<b>FN</b> Kanaka Bar Indian Band	Full consolidation with non-controlling interest
Magpie Limited Partnership	Magpie	99.99% (70% of votes)	<b>LC</b> Minganie Regional County Municipality	Full consolidation with non-controlling interest
Mesgi'g Ugiu's'n (MU) Wind Farm, L.P.	⚡ Mesgi'g Ugiu's'n	50%	<b>FN</b> Mi'gmaq First Nations of Quebec	Full consolidation with non-controlling interest
Umbata Falls Limited Partnership	Umbata Falls	49%	<b>FN</b> Ojibways of the Pic River First Nation	Equity investment
Parc éolien communautaire Viger-Denonville, S.E.C.	Viger-Denonville	50%	<b>LC</b> Rivière-du-Loup Regional County Municipality	Equity investment

■ hydro ■ wind ■ solar ⚡ under development **C** corporation **FE** financial entity **FN** First Nation **LC** local community



## OUR SUPPLY CHAIN

For development projects, we hire independent consultants for the majority of the requisite engineering and environmental studies, we procure machinery and equipment from turbine and equipment manufacturers, and we hire independent contractors and sub-contractors for engineering, procurement and construction activities, as well as transmission line installation.



Operating facilities require very little input and are fully automated. We hire independent consultants to conduct most of the environmental monitoring required by our permits and licenses in the first years of operation. In addition, for some of our wind farms we have operation and maintenance contracts with the turbine manufacturers for the first years of operation, after which we integrate the operation and maintenance activities.

## OUR MAJOR SUPPLIERS

Manufacturers	Andritz Hydro Canada, GE, Litoströj Hydro, Northwest Pipe, Rainpower North America, Servion
Contractors	Borea Construction, CRT Construction, EBC-CRT, Jim Dent Construction, Westpark Electric
Consultants	Ecofish Research, Hatch, Knight Priesold, PESCA Environnement, Prime Engineering
Other service providers	Aon Reed Stenhouse, Black Diamond Group, Landsea Camp Services, McCarthy Tétrault



## STRATEGIC MEMBERSHIPS

- \_AQPER (Association québécoise de la production d'énergie renouvelable)<sup>1,2</sup>
- \_Association of Power Producers of Ontario
- \_Association québécoise pour l'évaluation d'impacts
- \_Atlantic Salmon Federation
- \_BC Chamber of Commerce
- \_BC Sustainable Energy Association
- \_BC Women in Energy
- \_Business Council of BC<sup>2</sup>
- \_Canadian Council for Aboriginal Business
- \_CanSIA (Canadian Solar Industries Association)
- \_CanWEA (Canadian Wind Energy Association)<sup>2</sup>
- \_Rivière-du-Loup RCM Chamber of Commerce
- \_Clean Energy BC<sup>1,2</sup>
- \_Comité des bassins versants de la rivière Chaudière<sup>1</sup>
- \_Chaudière-Appalaches Regional Environmental Council<sup>1,2</sup>
- \_Équiterre<sup>2</sup>
- \_Fédération québécoise pour le saumon atlantique
- \_First Nations Power Authority of Saskatchewan
- \_Ontario Water Power Association
- \_Pemberton Chamber of Commerce
- \_SWITCH, L'Alliance pour une économie verte au Québec<sup>2</sup>
- \_Wind Energy TechnoCentre<sup>2</sup>
- \_The Energy Forum
- \_Tides Canada
- \_Vancouver Board of Trade
- \_Vanderhoof Chamber of Commerce

<sup>1</sup> Board member  
<sup>2</sup> Substantive funding



Innergex adheres to the **Shared Principles for the Future of Energy in British Columbia** of The Energy Forum, an industry-NGO collaboration.

➔ [energyforum.ca](http://energyforum.ca)





# RESPECT THE NATURAL ENVIRONMENT

**F**or Innergex, developing sustainably means harnessing the water, wind or sun in a way that avoids, minimizes, mitigates or compensates for impacts on the surrounding ecosystem. We take this responsibility very seriously and have made environmental sustainability the backbone of our development strategy. Over the past 25 years, we have earned a reputation for upholding the strictest environmental standards and we continuously strive to improve our assessment, monitoring, commitment-tracking, compliance and reporting practices. In doing so, we have developed innovative best practices that, in some cases, have become standard practice in our industry. We also continuously strive to improve our environmental practices; environmental regulations are constantly evolving, and each new project is subject to increasingly stringent requirements. As a result, our most recent projects must conform to greater environmental requirements than our older facilities.

Innergex's achievements on the environmental front are the work of a team of dedicated environmental experts consisting of biologists, environmental engineers and specialists in key areas such as habitat mitigation, reconstruction, environmental permitting and operational monitoring: people who care about doing things right.

For renewable energy facilities, we have found that environmental impacts are most likely to occur during the construction phase. Consequently, our environmental activities focus largely on the careful analysis and planning of each new project, obtaining all necessary permits, monitoring construction activities, restoring the site after construction, and then monitoring the site to ensure that it is recovering as expected and monitoring the facility to ensure that it is performing as expected. ●





# WATER

## G4-EN8

Our facilities do not use or consume water for industrial processes. Domestic use and use for maintenance are not material. Our hydroelectric facilities make non-consumptive use of water. They effectively “borrow” the water by temporarily diverting a portion of the river’s water-flow through the station to rotate one or more hydroelectric turbine-generator units in order to generate electricity. All diverted water is then returned to its original source (the stream or river). For each facility, water use is dictated by a water licence issued by the applicable regulatory regime (provincial, state) or by government decree. These stipulate requirements for minimum water flows that must remain in the stream or river at all times for the preservation of ecological values and, in some cases, for aesthetic or recreational purposes. ●



# GREENHOUSE GAS EMISSIONS

Innergex is committed to producing electricity exclusively from renewable energy sources. Our renewable energy facilities produce electricity with no significant amounts of greenhouse gas (GHG) emissions. Our direct (Scope 1) GHG emissions are essentially limited to:

- Combustion of gasoline in company-owned cars
- Combustion of gasoline in company-owned utility vehicles, such as trucks, all-terrain vehicles, boats and snowmobiles, used by operators for on-site operations and maintenance
- Combustion of diesel in heavy equipment (e.g., boom trucks, backhoes) and emergency back-up generators
- Combustion of propane used for on-site heating and cooking at remote locations ●

## G4-EN15

### DIRECT GHG EMISSIONS (SCOPE 1) (metric tons of CO<sub>2</sub> equivalent)

	Gasoline	Diesel	Propane	Total	Total per MWh
<b>QUEBEC</b>	73.4	53.1	0.6	127.1	0.00014
<b>ONTARIO</b>	4.9	11.7	0.1	16.6	0.00007
<b>BRITISH COLUMBIA</b>	263.1	91.2	3.6	357.9	0.00024
<b>IDAHO</b>	11.0	1.4	0.0	12.4	0.00028
<b>TOTAL</b>	<b>352.4</b>	<b>157.5</b>	<b>4.3</b>	<b>514.2</b>	<b>0.00016</b>

These figures include the Umbata Falls and Viger-Denonville facilities and include 38% of the five wind farms operated by Cartier Wind Energy Inc.

Note: The relative importance of British Columbia and the U.S. in Innergex’s Scope 1 GHG emissions is due to the way transportation is organized in British Columbia and the U.S. versus other markets:

- in B.C. and the U.S., Innergex owns several vehicles used by employees to do their work; under the GHG Protocol, these vehicles are included in the Scope 1 emissions (as company vehicles);
- in Quebec and Ontario, Innergex owns no vehicles: employees use their own vehicles and receive compensation per kilometer travelled; under the same GHG Protocol, this is included in the Scope 3 emissions, which are not covered by the present calculation.

The overall GHG intensity for electricity generation is approximately 0.17 metric tons of CO<sub>2</sub> equivalent per MWh in Canada<sup>1</sup> and 0.62 metric tons of CO<sub>2</sub> equivalent per MWh in the U.S.<sup>2</sup>

<sup>1</sup> Environment Canada’s National Inventory Report 1990-2012, Part 3

<sup>2</sup> US Environmental Protection Agency’s eGRID 9th Edition

Direct or Scope 1 GHG emissions are those that come from sources (physical units or processes that release GHG into the atmosphere) that are owned and controlled by the organization.



## ENVIRONMENTAL ASSESSMENT FOR NEW PROJECTS

Every prospective renewable energy project that Innergex considers undergoes an internal environmental review to assess the potential environmental effects and, in many cases, the cumulative effects. Once a decision is made to develop a project, it undergoes a much more rigorous and formal process of environmental assessment required by local and provincial government regulatory agencies and, in some cases, by federal agencies or departments such as Fisheries and Oceans Canada. An environmental assessment is an evaluation of the possible impacts that a proposed project may have on the existing natural environment and nearby human communities, and includes environmental, economic, social, health, historical/archaeological, and engineering considerations. This evaluation requires comprehensive studies completed by independent qualified professionals and involves several years of consultation with regulatory agencies, First Nations, other stakeholders, and the public. Once this evaluation has been completed and if the project is deemed to have an acceptable level of environmental impact, the appropriate provincial and federal regulatory authorities award the necessary permits and approvals – prerequisites for starting construction on the project. Each permit or approval typically outlines a series of conditions which must be fulfilled throughout the construction and operation of the project. ●

### MOST COMMON ELEMENTS OF AN ENVIRONMENTAL ASSESSMENT

#### ENVIRONMENTAL

- \_ Atmospheric environment (such as air quality and sound levels)
- \_ Geophysical environment (such as water quality and terrain stability)
- \_ Surface hydrology
- \_ Wildlife and wildlife habitat
- \_ Fish and fish habitat
- \_ Terrestrial environment (such as rare and endangered ecosystems and plants, wetlands, landscape units, forest health)

#### SOCIAL

- \_ Recreation and tourism (such as commercial and non-commercial access and use)
- \_ Navigable waters or access roads
- \_ Public impact (such as on First Nations, or the visual quality of transmission lines or wind turbines)

#### ECONOMIC

- \_ Provincial economic considerations (such as timber resources or water rights)
- \_ Regional economic considerations (such as jobs, taxes and GDP contributions)
- \_ First Nations

#### HERITAGE

- \_ Archaeological significance
- \_ Traditional land use

#### HEALTH

- \_ Site safety



PRODUCT CERTIFIED FOR REDUCED ENVIRONMENTAL IMPACT. VIEW SPECIFIC ATTRIBUTES. EVALUATED: UL.COM/ELCCD 003

### ECOLOGO® CERTIFICATION

We have applied for and received ECOLOGO® Certification for Renewable Low-Impact Electricity Products for 14 of Innergex's 26 hydroelectric facilities. This certification attests to each project's reduced environmental impact and potential benefits, including low net greenhouse gas emissions, limited depletion

of non-renewable resources, reduced emissions of other pollutants and reduced impacts on aquatic, riparian, and terrestrial ecosystems and species.

We are currently seeking to obtain ECOLOGO® certification for the 211.5 MW Gros-Morne wind farm in Quebec.

➔ See the **complete list of our ECOLOGO® certified facilities** at [innegex.com](http://innegex.com) or find out more about **ECOLOGO®** at [industries.ul.com/environment](http://industries.ul.com/environment).



# ENVIRONMENTAL SUSTAINABILITY

Innergex's solid environmental performance is founded on the integration of environmental considerations at the earliest stages of our project development process. Engineering and environmental objectives are simultaneously addressed in the design of new projects in order to protect valued components, such as wildlife and wildlife habitat, fish and fish habitat, erosion protection, and vegetation, as well as heritage (including archaeological and traditional use), health and social-value components. Environmental factors are part of the process of permitting and construction scheduling, modelling of long-term average electricity production levels, and budgeting. This has enabled us to strike a balance between engineering functionality, economic returns, social acceptability and environmental considerations, from project design onwards.

## G4-EN13

We do our utmost during the site selection and design phase of any new project to avoid, mitigate or compensate for potential environmental impacts on the surrounding ecosystems. For example, construction schedules for hydro projects are organized around fish and wildlife migration, spawning, and breeding phases to ensure that we are not disturbing key periods in ecosystems and life cycles. Locations for wind turbines are studied to avoid bird migratory routes and sensitive ecosystems and wetlands. We also ensure that we minimize or mitigate the interference of construction activities with land use by local communities and First Nations, including traditional hunting practices, recreational activities or the cultivation of medicinal plants and trees.

Once construction of a project is completed, environmental regulations stipulate that any lands temporarily disturbed by the project must be restored to their original condition prior to construction or better. Many different measures are used to ensure that the site is fully restored, including land contouring, stabilization, and revegetation. Particular care and consideration go into selecting approved plant species that will provide insects and animals with the same food sources as prior to construction, especially important riparian vegetation adjacent to streams, rivers and wetland areas. In 2014, we completed site restoration activities on 4.5 hectares at the Kwoiek Creek hydroelectric facility in British Columbia and on 2.0 hectares at the Viger-Denonville wind farm in Quebec, both of which were commissioned at the end of 2013. In both cases, restoration measures were implemented by independent professionals. In 2015, we will undertake construction-site restoration at the Tretheway Creek hydroelectric facility in British Columbia once it reaches commercial operation. ●



## FISH HABITAT ENHANCEMENT

In Canada, the *Fisheries Act* requires that hydroelectric projects avoid causing serious harm to fish and fish habitat. If an Innergex hydroelectric project is predicted to result in a loss of fish habitat, we build new fish habitat enhancement areas to offset the loss. In British Columbia, Innergex has constructed six habitat areas totalling more than 75,000 m<sup>2</sup> and expects to complete three more totalling 10,000 m<sup>2</sup> in 2015, for a total investment of more than \$4 million. At some of these sites, adult Pacific salmon migrate inland each fall from the Pacific Ocean to spawn. The thousands of young salmon produced annually go back to the ocean each spring, and then return again as adults, thus completing their life cycle. Innergex's habitat enhancement areas will continue to operate throughout the multi-decade operating life of our hydroelectric facilities. In 2014, independent monitoring studies at the Kwoiek Creek facility found that the new 1km long fish habitat compensation channel supported spawning and rearing of rainbow trout mere weeks after the channel was accessible to fish in the spring. By the fall, the density of fish in the channel was already similar to the adjacent natural section of Kwoiek Creek. Great news!

## G4-EN31

### ENVIRONMENTAL EXPENDITURES

The majority of our environmental expenditures pertain to protection and management. The magnitude of environmental expenditures in any given year will depend on our development activities and the age of our facilities.

### TOTAL EXPENDITURES

**\$2,461**

In thousands of Canadian dollars

Including environmental liability insurance, treatment or remediation and protection or management.

These figures include the Umbata Falls and Viger-Denonville facilities and include 38% of the five wind farms operated by Cartier Wind Energy Inc.

## MONITORING

Keeping our environmental commitments means comprehensive monitoring and reporting of each project's construction activities, both internally and by independent consultants. It also means comprehensive post-construction monitoring, evaluation and reporting, both internally and by independent consultants, to ensure that any effects of our operating facilities are in line with the predictions agreed to during the environmental assessment for each project. By tracking and measuring our performance, we are able to refine our approach and develop best practices in our industry. In British Columbia, independent specialists conduct field surveys to monitor the progress of the rehabilitation and compensation measures and the predicted effects of the project during each year of the mandatory five-year monitoring program once a facility has begun operation. Similarly, in Quebec, independent specialists conduct field studies to monitor various impacts, such as the potential impact on the activities of raptors and other birds, as well as noise levels and the visual impact on the landscape, as part of the prescribed long-term monitoring programs for wind farms. ●



## COMPLIANCE

We operate in an industry that has very stringent environmental regulations. We understand that our reputation depends in part on having well-designed and well-operated renewable energy facilities, and so compliance is a key focus of our environmental practices. We strive to remain in compliance at all times with applicable environmental regulations and operating permit and license requirements. Innergex has had very few environmental compliance incidents. We are proud of our compliance track record, and we fully intend to continue our efforts to maintain this record.

## HYDROELECTRIC FACILITIES

Compliance for our run-of-river hydroelectric facilities focuses primarily on licence requirements for the temporary diversion of water from natural streams and rivers for electricity production. Compliance requirements are specific to each facility's operating licence or decree and reflect the objectives of the province, state or country where the facility is located. Generally, each facility has: 1) a maximum allowable water diversion amount, and 2) a minimum in-stream water flow release (IFR) that must bypass the facility and remain in the river at all times. Facilities in Quebec and Ontario have water diversion and electricity generation systems integrated at a single location on a low-gradient section of the river; these sites present little or no risk of dewatering portions of the riverbed.

At facilities in British Columbia, which are associated with steep and narrow streams, water may be conveyed through a penstock or tunnel for several kilometres between the intake and the power station. These sites pose a greater risk of dewatering portions of the river, giving rise to an IFR non-compliance event; Innergex manages this risk by installing a dedicated valve or gate at the diversion or intake point to provide the licenced IFR flow at all times. Should floating debris temporarily block water from entering the IFR valve entrance, plant operators are notified and the blockage is removed as quickly and safely as possible to restore IFR compliance. At some facilities, it is necessary to restrict the rate of change in water flow through the facility to avoid rapid changes in river water level and the associated risk of stranding fish. Such ramping-related incidents may occur primarily during the early commissioning of a new hydroelectric facility



and become very infrequent over time. To address ramping issues, we have developed and implemented strategies to limit potential negative effects of rapid changes in river flows at our facilities, and we have become an industry leader in managing this risk.

## WIND FARMS

Compliance for our wind farms, which are all located in Quebec, focuses primarily on the results of environmental monitoring programs in the initial years of a facility's operation, particularly with respect to potential impacts on birds and bats or noise levels. We are required to conduct independent studies at each facility on a specific schedule outlined in the provincial regulatory approval or decree issued prior to project construction. In general, bird and bat studies are conducted for the first three years of operation; noise monitoring is conducted in operating years one, five, 10 and 15. Reports are submitted to regulatory agencies after each monitoring year. In the event that monitoring identifies an issue of concern, we determine and implement specific steps to mitigate the impact and address the issue. In 2014, no such issues were identified by the Company.

## SOLAR FARMS

Innergex's solar farm in Ontario is required to comply with its environmental assessment certificate requirement regarding noise (electrical hum) from the facility. ●

### G4-EN29

## ENVIRONMENTAL COMPLIANCE PERFORMANCE

Compliance incidents can occur periodically at any of our facilities; each compliance incident is addressed immediately upon detection. The vast majority of incidents are minor, which we consider to mean small in magnitude and short in duration. Criteria for determining when an incident must be reported to government agencies vary and are set out in the permits and licences for each facility.

Regardless of whether an incident is reportable, Innergex considers an incident to be material if it has the potential to significantly impact the surrounding ecosystem or if it gives rise to a fine or a non-monetary sanction. Historically, the Company has had very few material environmental compliance incidents and we make every effort to maintain this record.

COMPLIANCE INCIDENTS	HYDRO	WIND	SOLAR	TOTAL
Material compliance incidents	--	--	--	--
Reportable compliance incidents pursuant to permits and licenses <sup>1,2</sup>	2	--	--	2
Monetary value of significant fines for non-compliance	--	--	--	--
Total number of non-monetary sanctions for non-compliance	--	--	--	--

These figures include the Umbata Falls and Viger-Denonville facilities and include 38% of the five wind farms operated by Cartier Wind Energy Inc.

<sup>1</sup> A minor ramping incident occurred at the Kwoiek Creek facility in May, with no impact on fish.

<sup>2</sup> A minor ramping incident occurred at the Northwest Stave facility in June, with no impact on fish.

## OBJECTIVE | ZERO MATERIAL OR REPORTABLE COMPLIANCE INCIDENTS



### G4-EN24

## EFFLUENTS AND WASTE: SIGNIFICANT SPILLS

In 2014, we recorded no significant spills. In conducting our activities, we recorded approximately 10 small spills, mainly of hydraulic fluids. These were very small in size (most under 20 litres, all under 50 litres), were remediated immediately, and were never close to a water source.

## OBJECTIVE | ZERO SIGNIFICANT SPILLS



# CREATE WEALTH

Innergex is in the business of building and acquiring quality infrastructure assets and operating them for a very long time. We are proud of our ability to produce electricity from clean and renewable sources in ways that create jobs and distributable wealth for many of our partners and stakeholders ●



## G4-EC1

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

In thousands of Canadian dollars

#### DIRECT ECONOMIC VALUE GENERATED

Revenues	\$251,196
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#### ECONOMIC VALUE DISTRIBUTED

Operating costs	\$27,415
Employee wages and benefits	\$19,625
Payments to governments and local communities (contractual)	\$20,210
Community investments (voluntary)	\$340
Payments to providers of capital	\$165,195
Finance costs to lenders	\$84,006
Preferred share dividends to preferred shareholders	\$7,125
Common share dividends to shareholders	\$59,549
Distributions to minority interests	\$6,798
Other (payments to hedge interest rates)	\$7,717

<b>ECONOMIC VALUE RETAINED</b>	<b>\$18,411</b>
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These figures are derived from the Company's 2014 financial statements established under IFRS reporting standards.

**OBJECTIVE** | GROW CONSOLIDATED REVENUES BY 3%-5% IN 2015





## MANAGING THE RISKS OF DEVELOPING AND OPERATING RENEWABLE ENERGY INFRASTRUCTURE ASSETS

Infrastructure assets require large upfront capital expenditures. In the Canadian renewable energy sector, there are very few government subsidies for producers; however, government incentives exist to encourage independent power producers to develop new electricity-generating assets:

- A policy incentive in the form of long-term fixed-price power purchase agreements with public utilities or other creditworthy counterparts gives us certainty of revenues, which enables us to optimize project-level financing;
- An economic incentive in the form of accelerated depreciation reduces or defers tax expenses, which optimizes our cash flows;
- And for some existing facilities, a financial incentive of one cent per kWh for the first 10 years of operation under the Canadian federal government's ecoENERGY for Renewable Power program, which ended in 2011.

These incentives enable the private sector to develop new infrastructure assets, while public utilities are provided with stable and predictable electricity costs over a long-term horizon and society gains long-life renewable electricity generation capacity that produces virtually no greenhouse gas emissions.

In addition, Innergex carefully manages the risks associated with developing and operating renewable energy infrastructure assets.

- When preparing to submit a project under a request for proposals, we prudently model its expected long-term average production, on which all other parameters of a project's financial model are predicated.
- We contract out the construction of each project on the basis of fixed-price contracts with reputable contractors.
- We secure fixed-rate, non-recourse, project-level debt with a duration and amortization that typically match the duration of the power purchase agreement.
- Project financing requires us to submit to a thorough independent due diligence review of each project's construction and operation budgets, documents and permits, and to maintain appropriate major maintenance reserves and debt service reserves.
- We emphasize proactive maintenance and operations to ensure the highest possible equipment availability factors and lowest possible unplanned maintenance capital expenditures.

### OUR ASSETS ARE YOUNG

WEIGHTED AVERAGE AGE OF OUR ASSETS:

**7.2 years**

LIFE EXPECTANCY:

Wind farms and solar farms

**25 years**

Run-of-river hydroelectric facilities

**50 to 75 years**

### OUR CONTRACTUAL REVENUES ARE LONG TERM

Weighted average remaining life of our power purchase agreements (for operating facilities):

**18.5 years**





### THE MAJORITY OF OUR PROJECTS ARE FINANCED USING FIXED-RATE, NON-RECOURSE PROJECT-LEVEL DEBT

The initial leverage ratio for infrastructure projects such as ours typically ranges from 75% to 85% of capital requirements. Project debt amounts are determined mainly on the basis of the project's expected cash flows and debt service coverage ratio. This debt is typically amortized over the life of the project's power purchase agreement. In addition, project debt is non-recourse, thus insulating the Company from the default risk of any of the facilities financed this way. ●

#### BALANCE SHEET DATA

In thousands of Canadian dollars

Current assets	\$184,648
Fixed assets	\$1,895,789
Intangible assets	\$487,312
Other long-term assets	\$148,266

**TOTAL ASSETS \$2,716,015**

Current liabilities	\$202,035
Project-level debt	\$1,272,774
Other long-term debt	\$338,025
Other long-term liabilities	\$340,956

**TOTAL LIABILITIES \$2,153,790**

Non-controlling interests	\$47,411
Equity attributable to owners	\$514,814

**TOTAL SHAREHOLDERS' EQUITY \$562,225**

These figures are derived from the Company's 2014 financial statements established under IFRS reporting standards: they include 38% of the five wind farms operated by Cartier Wind Energy Inc. and exclude the Umbata Falls and Viger-Denonville facilities.

## FOCUSING ON KEY PERFORMANCE INDICATORS

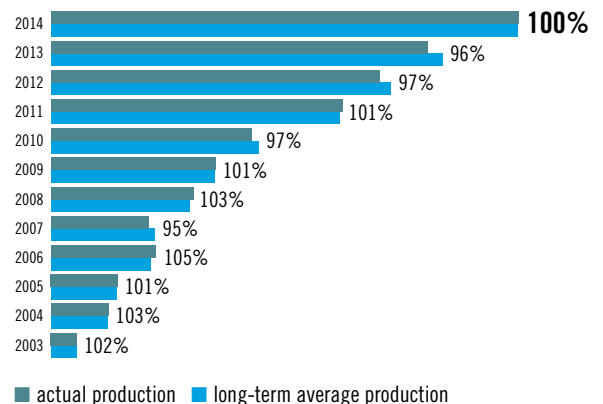
In conducting our business, we measure our performance using key performance indicators that provide information about our ability to generate cash flows to sustain current dividends and dividend increases, as well as our ability to fund our continued growth.

### PRODUCTION IN RELATION TO THE LONG-TERM AVERAGE

● **OBJECTIVE** | PRODUCTION EQUAL TO 100% OF LTA

In the early stages of a project's development, we determine a long-term average annual level of electricity production (LTA) over the expected life of the facility. This LTA is based on engineers' studies that take into consideration a number of important factors, namely hydrology, wind or solar regimes, turbine or panel technology, site topography, installed capacity, energy losses, operational features, and maintenance. Although production will fluctuate from year to year, it should approach the estimated LTA over an extended period. We use this production level to build a financial model on which we base our submissions under requests for proposals for the procurement of renewable energy or to make acquisitions, as well as to determine a facility's expected revenues, costs, financing amounts and cash flows over the life of its long-term contract. Determining a reliable LTA for each facility is essential if we are to generate stable and predictable cash flows each year. In 2014, consolidated production reached 100% of the LTA.

#### PRODUCTION PREDICTABILITY (GWh)







PRODUCTION IN RELATION TO LTA			
	HYDRO	WIND	SOLAR
QUEBEC	99%	100%	--
ONTARIO	113%	--	104%
BRITISH COLUMBIA	100%	--	--
IDAHO	96%	--	--
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>104%</b>

This data is consistent with the Company's audited consolidated financial statements, and therefore includes 38% of the five Cartier Wind Energy facilities and excludes the Umbata Falls and Viger-Denonville facilities accounted for using the equity method. In 2014, Umbata Falls production reached 156% of the LTA and Viger-Denonville production reached 102% of the LTA.

#### G4-EU30

### AVERAGE PLANT AVAILABILITY FACTOR

**OBJECTIVE** | PLANT AVAILABILITY FACTOR OF 95% (SINGLE TURBINE) TO 97% (MULTIPLE TURBINES) FOR HYDRO, 97.5% FOR WIND, AND 97% FOR SOLAR<sup>1</sup>

AVERAGE PLANT AVAILABILITY FACTOR			
	HYDRO	WIND	SOLAR
QUEBEC	98.8%	98.3%	--
ONTARIO	98.3%	--	95.0% <sup>2</sup>
BRITISH COLUMBIA	96.9%	--	--
IDAHO	87.2% <sup>3</sup>	--	--
<b>TOTAL</b>	<b>97.3%</b>	<b>98.3%</b>	<b>95.0%</b>

Includes the Company's 33 operating facilities.

<sup>1</sup> We budget approximately 2.5% to 5% of production for unplanned outages due to events beyond our control. Hydroelectric and solar facilities calculate an energy-based availability factor; wind farms currently apply a time-based availability calculation, but are transitioning to an energy-based determination.

<sup>2</sup> Our solar facility in Ontario experienced significant amounts of snow on the panels from time to time during the winter months.

<sup>3</sup> Our hydroelectric facility in the U.S. was offline from September 25 to November 5 as the 5 km canal was dewatered for scheduled inspection and desanding activities, which are conducted every three years.

To maximize plant availability, planned outages for maintenance of our run-of-river hydroelectric facilities are scheduled for when water levels are at their lowest, typically in late summer or early fall. Since most of our hydroelectric facilities have several turbines, production can be shifted to allow for maintenance to be done in stages. Planned outages for maintenance of our wind farms are typically scheduled for the summer when wind regimes are at their lowest, while maintenance on individual wind turbines is performed twice a year, typically in the spring and fall. Under high wind conditions, we will reschedule planned wind farm outages when warranted, based on a cost-benefit analysis. Planned outages for maintenance of our solar facility are typically scheduled during the night, when the panels are not producing electricity.

### TRANSMISSION LINES AND COLLECTOR SYSTEMS

Innergex owns and operates approximately **546 km** of above- and underground collector systems and transmission lines in Canada.

This number is expected to rise to approximately 705 km by 2017 with the completion of our five development projects.

INNERGEX	HYDRO	WIND	SOLAR	TOTAL
<b>COLLECTOR SYSTEM (up to 50 kV)</b>				
QUEBEC	--	314	--	314
ONTARIO	--	--	6	6
BRITISH COLUMBIA	--	--	--	--
IDAHO	--	--	--	--
<b>TOTAL</b>	<b>0</b>	<b>314</b>	<b>6</b>	<b>320</b>
<b>TRANSMISSION LINES (greater than 50 kV)</b>				
QUEBEC	38	14	--	52
ONTARIO	22	--	--	22
BRITISH COLUMBIA	152	--	--	152
IDAHO	--	--	--	--
<b>TOTAL</b>	<b>212</b>	<b>14</b>	<b>0</b>	<b>226</b>
<b>TOTAL</b>	<b>424</b>	<b>656</b>	<b>12</b>	<b>546</b>

Includes the Company's 33 operating facilities.

As we develop renewable energy facilities in increasingly remote locations, we face the challenge of managing more and longer transmission lines. This may affect both the potential duration and the extent of an unplanned outage, given the time required to access and repair the cause of

the outage, and also the fact that it may affect the facility as a whole. In response to the risk posed by trees close to the transmission lines, we have implemented a vegetation management plan for each significant transmission line, and some of our operators are trained in tree removal.

During the winter peak demand period (typically November to March) in Quebec, power purchase agreements preclude us from scheduling planned outages for hydroelectric facilities and allow for only one wind turbine at a time to be shut down.

## ADJUSTED EBITDA

**OBJECTIVE** | \$295 MILLION IN 2017

Adjusted EBITDA measures our operating profitability and represents the funds available to make the required interest and principal payments on our debt. In 2014, Innergex generated Adjusted EBITDA of \$179.6 million. Once the five development projects have reached commercial operation, we expect to generate Adjusted EBITDA of approximately \$295.0 million in 2017.

See page 2 for the definition of Adjusted EBITDA.

## FREE CASH FLOW

**OBJECTIVE** | \$95 MILLION IN 2017

We consider cash flows to be the most appropriate measure of our economic performance, since net earnings are skewed by high depreciation expenses and occasionally by unrealized gains or losses on derivative financial instruments, which are used to fix the interest rate on our debt to protect the economic value of our projects. Both of these are non-cash items.

Free Cash Flow measures the cash flows available for distribution to our common shareholders and for reinvestment to fund our growth, after we have met all of our contractual obligations, such as debt interest and principal payments, distributions to partners, and dividends to preferred shareholders. In 2014, Innergex generated Free Cash Flow of \$67.7 million. After the five development projects have reached commercial operation, we expect to generate Free Cash Flow of approximately \$95.0 million in 2017.

See page 2 for the definition of Free Cash Flow.



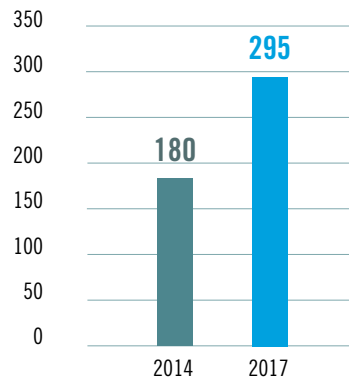
## PAYOUT RATIO

**OBJECTIVE** | PAYOUT RATIO OF 80%

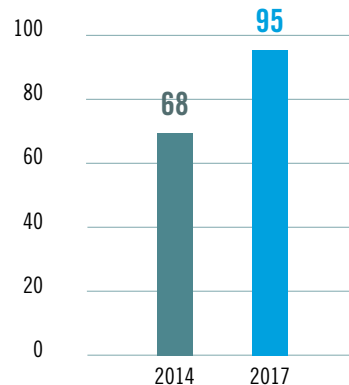
The Payout Ratio measures the distribution of dividends to our common shareholders in proportion to the Free Cash Flow we generate. It represents our ability to sustain current dividends and dividend increases, as well as our ability to fund our growth. In 2014, Innergex generated a Payout Ratio of 88%. ●

See page 2 for the definition of the Payout Ratio.

### ADJUSTED EBITDA (\$M)



### FREE CASH FLOW (\$M)





# PRODUCING MORE THAN ELECTRICITY

As part of building relations with local communities and developing the highest possible level of social acceptability for our projects, we regularly make infrastructure investments. Past examples include revitalizing the Parc des Chutes-de-la-Chaudière nature park in Lévis, Quebec; building a competition-level kayak park near Pemberton, British Columbia; and upgrading numerous forest service roads and bridges in rural British Columbia, Quebec, and Ontario. ●



## G4-EC7

### INFRASTRUCTURE INVESTMENTS MADE

In Canadian dollars

INVESTMENT	LOCATION	FUNDING
We help fund the annual maintenance and preservation of the Parc des Chutes-de-la-Chaudière, a nature park drawing more than 300,000 visitors each year.	Lévis, Quebec	\$150,000
We finance free canoe shuttle services on the Portneuf River each year.	Sainte-Anne-de-Portneuf, Quebec	\$20,000
We finance the maintenance of snowmobile trails near Rutherford Creek each year through the Pemberton Valley Snowmobile Club.	Whistler, British Columbia	\$11,000
With our partner, we upgraded and rip-rapped a municipal road to make it wider, safer, and more erosion-resistant in anticipation of the expected increase in traffic from the construction of the Mesgi'g Ugnu's'n wind farm.	Escuminac, Quebec	\$250,000
We are financing the construction of a pedestrian suspension bridge just downstream from a 100 ft. waterfall in Cascades Falls Regional Park. The bridge is owned and operated by the Fraser Valley Regional District. The bridge was completed in early 2015. Our total investment in this project will be \$225,000.	Mission, British Columbia	\$75,000
Through the Ashlu Creek Foundation, we helped to provide Wi-Fi Internet access for residents of the Upper Squamish Valley, an area that was not serviced by major telecommunications service providers.	Upper Squamish Valley, British Columbia	\$80,000
We helped fund the construction of a new open-air community barn to be used as a public space and venue for community events.	Pemberton, British Columbia	\$2,500
We helped fund the completion of the Pemberton Valley Trail Association's Valley Loop walking trail.	Pemberton, British Columbia	\$5,000

**TOTAL**

**\$593,500**



In 2014, we announced a \$500,000 donation and in-kind support for the construction of the Friendship Trail Bridge in Pemberton, British Columbia. This bridge will be built over the Lillooet River as part of the Friendship Trail, a 7-km long non-motorized multi-use trail that will provide a safe and ecological way of physically, socially, and economically connecting the nearly 5,600 residents within Area C of the Squamish-Lillooet Regional District, the Village of Pemberton, and the Lil'wat Nation. The bridge is expected to be completed by the spring of 2016.

*"Once again, Innergex has demonstrated their commitment to this region and to our communities. This contribution takes us one step closer to realizing our long-term vision of physically connecting our community with Pemberton."*

**Lucinda Phillips**, former Chief of the Lil'wat Nation

*"We all share responsibility for building healthy communities. We are sincerely grateful to Innergex for its generous donation to the Friendship Trail Bridge, which promises to be an important legacy for the entire Pemberton Valley."*

**Susie Gimse**, Area C Director, Squamish-Lillooet Regional District

# INDIRECT ECONOMIC IMPACTS

## G4-EC8

We believe that the development of renewable energy assets is intimately connected to the economic development of local communities. In addition to the distributions that partners receive through their ownership in a facility, we share the economic benefits that our activities generate in the form of contractual payments, such as royalties or scholarships, voluntary payments, or donations and sponsorships. This helps provide municipal and First Nations administrators with funds to plan their own development and create new opportunities for their communities. You'll find more information about these on pages 22 and 23.

When developing our projects, we have an important indirect economic impact as we strive to hire local tradespeople and technicians and provide training for them to gain the necessary skills or qualifications. We also strive to hire local independent contractors and service providers. In operating our facilities, we also hire operators and maintenance tradespeople locally.

In 2014, the 150 MW Mesgi'g Uguj's'n wind project in Quebec hired local tradespeople for its tree clearing activities. During the year, we also jointly launched a program to encourage people in our First Nations partners' communities to take training in wind turbine installation and related trades. Over the next two years, many jobs will be created as construction activities begin at Mesgi'g Uguj's'n, and we are aiming for a 30% Aboriginal participation rate.

Also in 2014, in response to local demand, we hired an external consultant to conduct an employment and economic impact assessment for the communities of Pemberton and Lillooet in relation to our Upper Lillooet Hydro Project. This project comprises two run-of-river hydroelectric facilities with a combined installed capacity of 106.7 MW that are currently under construction near Pemberton, British Columbia. The results of the assessment, expected in the latter half of 2015, will provide valuable measurable information about the indirect benefits from this project. ●



*"A century and a half ago, Port Douglas was the centre of commerce in what was to become British Columbia. Until recently, the people in the Lillooet Valley were a forgotten people. That has changed after the hydro projects came. Many people got jobs. We are now connected to the electricity grid, and have refocused our efforts on important matters like improving our roads, getting phone and Internet services, developing our communities, building a sustainable economy, and bringing our people back home."*

**Chief Don Harris of the Douglas First Nation**



*"This project is significant to the socio-economic development of the Mi'gmaq communities of Gesgapegiag, Gespeg and Listuguj. It will create wealth and jobs not only for our members, but also for our neighbours in Gaspésie and elsewhere in Quebec. We see great opportunities for the future."*

**Chief Claude Jeannotte, former Chairperson of the Mi'gmawei Mawiomi, about the 150 MW Mesgi'g Uguj's'n wind project in Quebec**





# SHARE WITH PEOPLE

## PARTNER OF CHOICE

Innergex has made social acceptability the cornerstone of its development strategy and has a long history of building solid long-term relationships with local communities and First Nations. This has proven to be an incredible lever for growth over the years, because time and again it has enabled us to build successful projects. Even more, it has created projects that are better because they are in keeping with a sustainable development perspective. Whether in the form of shared economic benefits, employment opportunities, shared ownership, or partnership agreements, we recognize the growing willingness for communities to become agents of their own socio-economic development – a trend we expect to continue to grow. ●



*“We believe every community is unique – in its history, its culture, and its aspirations – and we always try to adapt to every community we make contact with. Relations between organizations are based on creating lasting bonds of trust between their people. Building these relationships is very rewarding for everyone involved.”*

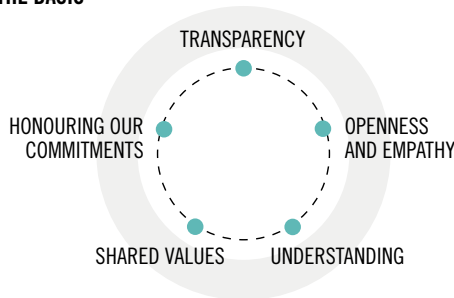
**Richard Blanchet**, Senior Vice President – Development, Western Canada and Latin America

# ENGAGING WITH LOCAL COMMUNITIES AND FIRST NATIONS

Social acceptability is the starting point for a profitable and sustainable development model and an essential condition for our long-term success. It has proven to be an important economic lever in:

- Reducing the risks related to project development and operations
- Ensuring that projects generate the expected revenues
- Contributing to the stability of our cash flows and dividends
- Strengthening our reputational capital
- Creating new growth opportunities

## WE ENGAGE WITH LOCAL COMMUNITIES AND FIRST NATIONS ON THE BASIS OF SOUND VALUES



### G4-S01

All of our facilities have implemented local community engagement programs and impact assessments at some point in their development. In 2014, **each of our five development projects** had an ongoing local community engagement program.

Community engagement and impact assessments occur during the development and construction phases of a project. They are an important component of the Environmental Assessment process more amply described on page 10 of this report, and they include information sessions; open houses; stakeholder consultations; construction or liaison committees composed of stakeholder representatives, community groups, and municipal officials; sponsorship of local events; and, in some cases, impact and benefit agreements with local First Nations or municipalities.

Community engagement throughout the operating life of our facilities will vary for each location and will also vary over time, often taking the form of sponsorship of local events, investment in small infrastructure projects, and/or membership in local organizations or chambers of commerce. ●

## PARTNERSHIPS THAT WORK

We are keenly aware that energy development is driven by the will of local municipalities and First Nations. When a host community decides to develop a project in partnership with us, this is perhaps the best indicator of a strong level of social acceptability. Over the years, we have shown vision in creating a bold and successful development model based on partnerships, which for us means

- Sharing information
- Sharing efforts and risks, and
- Sharing in the fair distribution of benefits.

Our partnerships are proving to be an excellent calling card and a key differentiator for Innergex. We believe that they are an indispensable part of the future of renewable energy development.

We currently have four operating facilities and one development project owned in partnership with local communities or First Nations. In 2014, the four operating facilities generated **revenues of \$50.0 million**.

In total, the Company currently has ten partnership agreements, including three with First Nations and three with regional county municipalities.



### DISTRIBUTIONS TO PARTNERS

In 2014, distributions made to local community and First Nations equity owners by the facilities owned in partnership reached **\$7.2 million**.

Innergex has gained a reputation as a partner of choice for First Nations seeking to develop business opportunities in the renewable energy sector. As of the end of 2014, we had signed almost 40 contractual agreements with 18 different First Nations in British Columbia, Ontario and Quebec, including several formal impact and benefit agreements. ●





*"With Innergex, we have found a partner who respects its commitments; what it promises, what it says it will do, it does. We look forward to continue working together to develop renewable energy projects for our community."*

**Chief Roy Michano** of the Objiways of the Pic River First Nation

*"We first chose Innergex because we believed they were a first-rate partner, one that shared our values. Our experience in working with them on a daily basis confirms it."*

**Michel Lagacé**, Warden of the Rivière-du-Loup RCM



*"We have had a very positive relationship with Innergex so far and we are extremely pleased to enter into a partnership with them. We trust that Innergex will work within our traditional territory in a manner respectful of the environment, our culture and our constitutional aboriginal rights, titles and interest."*

**Chief Stanley Thomas**, Saik'uz First Nation

## SHARING THE WEALTH WE CREATE

In addition to the distributions made to equity owners by the facilities owned in partnership, we share the economic benefits of our business activities in different ways: contractual payments as part of impact and benefit agreements with First Nations or other forms of contractual agreements with local communities, and voluntary donations and sponsorships. Each project is unique and will be structured differently to reflect the local communities' needs identified during the process of building social acceptability for the project.

### CONTRACTUAL PAYMENTS

In 2014, contractual payments to local communities and First Nations totalled **\$4.3 million**.

### Impact and benefit agreements

Impact and benefit agreements (IBAs) serve to formalize our relationships with First Nations and local communities. They outline the impacts of a project, our respective commitments and responsibilities, and the mechanisms for sharing the benefits of the project or facility. Elements of an IBA can include labour (local jobs and training), economic development (partnering, hiring of local contractors), community funding (social programs, activities), cultural issues (design, site layout and access), the environment (planning and monitoring), and financial compensation, as well as commercial clauses (such as the certainty of project realization or a dispute settlement mechanism). As of the end of 2014, Innergex had IBAs with 18 First Nations, most of them in British Columbia. We have signed IBAs with almost all of the First Nations neighbouring our operating facilities and projects, with the exception of Brown Lake, a small hydroelectric facility in northwestern British Columbia that we acquired in 2012. We have reached out to the neighbouring First Nations communities there, and hope to sign IBAs in the near future with the communities that are most impacted.

### Other contractual agreements

Contractual agreements serve to formalize our commitments to local communities in order to ensure that projects generate positive socioeconomic impacts locally over a long-term horizon. These agreements can include many of the same elements of an impact and benefit agreement. In 2014, Innergex had contractual agreements with eight local communities.

### DONATIONS AND SPONSORSHIPS

Innergex specifically targets five sectors in its donation and sponsorship policy:

- Environment and sustainable development
- Economic development of local communities and First Nations
- Social and community projects
- Education and entrepreneurship
- Sports and health

We also ensure that donations and sponsorships reflect our vision, mission, and values as well as our strategic orientations, and that they respect ethical, financial and legal considerations. In 2014, donations and sponsorships totalled approximately **\$465,000** or 0.2% of consolidated revenues. More than two-thirds of these donations and sponsorships went to local communities and First Nations. ●

# QUALITY EMPLOYER

We are well aware that our accomplishments are made possible by our outstanding team of employees. Their collective knowledge, talent, skills, abilities, experience and judgment have always been key to Innergex's long-term success. We have been able to attract and retain individuals who share a tremendous work ethic and a strong corporate culture by offering fair compensation, attractive working conditions, a safe working environment, and opportunities for development.

## HEALTH AND SAFETY

Upholding rigorous health and safety standards goes far beyond simply complying with legal and regulatory requirements. Our priority is the safety and protection of our employees on every Innergex site from coast to coast. With this in mind, we have adopted an Environment, Health and Safety Policy and a management system that formalizes our commitment to maintaining a healthy and safe environment for employees; complying with laws pertaining to the protection of employees, the public and the environment; evaluating and taking into account the potential impacts of our activities; and minimizing or avoiding these impacts. Our management system is modeled after the BS OHSAS 18001 Occupational Health and Safety Management standard, a recognized reference for occupational risk management and prevention systems.

Our goal is always to target zero lost-time injuries or incidents. Our occupational health, safety and environmental management system applies to our operating facilities. Our plant operators operate heavy machinery and work with high-voltage electricity and huge volumes of water, often in challenging weather conditions. Therefore, it is that much more important to have strict processes, a structure that works, and health and safety standards that are absolutely clear.

There are a number of key health and safety challenges specific to our activities:

- Our sites are remote
- Operators often work alone or in isolation
- They operate and maintain large machinery, and
- They sometimes work in confined spaces

Employees are properly trained and have all the tools they need to work safely. The Company provides the training, support, and follow-up that its employees need and conducts indirect supervision via remote cameras, phone, and email. However, the fact remains that part of the follow-up is based on trust, since it is not possible to directly supervise operators' day-to-day work. We want employees to take ownership of their own safety and take responsibility for applying prescribed measures and complying with procedures.

Innergex's occupational health, safety and environmental management system comprises 23 elements. At the end of 2014, three-quarters of these elements had been implemented. In 2015, we expect to develop and deploy the system's remaining elements, and in 2016, we plan to move from deployment to monitoring, which will consist of evaluating the performance of the management system and maintaining continuous improvements in this area. ●

◎ **OBJECTIVE** | IN 2015, DEVELOP AND DEPLOY THE SYSTEM'S REMAINING ELEMENTS



➔ Read Innergex's [Health, Safety, and Environment Policy](#) at [innergex.com](#).



*"Our employees shouldn't just follow the procedures in place, they have to take ownership of them. Our standards must not be perceived as an imposition or an added chore. They have to be integrated as naturally as possible into our work habits and how we do things. That's our ultimate goal, that our employees take ownership of their own safety."*

**François Hébert**, Senior Vice President – Operations and Maintenance





**G4-LA6**

**RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND TOTAL NUMBER OF WORK-RELATED FATALITIES, BY GENDER**

**OBJECTIVE** | ZERO LOST DAYS OR WORK-RELATED FATALITIES

	<b>INJURY RATE<sup>1</sup></b>	<b>OCCUPATIONAL DISEASE RATE<sup>2</sup></b>	<b>LOST DAY RATE<sup>3</sup></b>	<b>WORK-RELATED FATALITIES</b>
<b>OPERATORS</b>				
<b>MALE</b>	6.58	--	342 <sup>4</sup>	--
<b>OFFICE WORKERS</b>				
<b>FEMALE</b>	--	--	--	--
<b>MALE</b>	--	--	--	--

Excludes employees of Cartier Wind Energy Inc., which is owned and managed separately.

<sup>1</sup> The injury rate is the number of injuries per 100 employees

<sup>2</sup> The occupational disease rate is the number of occupational diseases per 100 employees

<sup>3</sup> The lost day rate is the number of work days lost due to a work-related injury or disease per 100 employees

<sup>4</sup> This number includes one employee who was on leave for the whole year as a result of a work-related injury

**ABOUT BS OHSAS 18001**

The purpose of the BS OHSAS 18001 system is to provide businesses with a way of evaluating and certifying that their occupational health and safety management system is compatible with international management system standards, such as ISO 9001 for quality, ISO 14001 for environment and ILO-OSH 2001 for occupational health and safety.

BS OHSAS 18001 makes it possible to:

- \_ Create the best possible working conditions across the organization
- \_ Identify hazards and put in place controls to manage them
- \_ Reduce workplace accidents and illness
- \_ Engage and motivate staff with better, safer working conditions
- \_ Demonstrate compliance to stakeholders

**DISASTER/EMERGENCY PLANNING AND RESPONSE**

By virtue of the size and footprint of our facilities, the risks of a major emergency or disaster are limited. A few of our hydroelectric facilities present a risk of flooding a populated area in the event of damage to the weir (Horseshoe Bend, Windsor, Batawa, and Glen Miller). We have developed and implemented an Emergency Response Plan that specifies procedures and assigns responsibilities for a series of potential emergencies that have been identified. This plan was formalized in 2013 and must be updated every three years. The five wind farms operated by Cartier Wind Energy Inc. also have their own emergency response plan.

An important component of our operator training involves preparedness training and implementation of the Emergency Response Plan. Regular “Safety Talks” have been implemented, where emergency scenarios are discussed and practised. ●

**OBJECTIVE** | IN 2015, WE PLAN TO CONDUCT A TRIENNIAL REVIEW OF OUR EMERGENCY RESPONSE PLAN AND ADD A CRISIS COMMUNICATIONS COMPONENT.



## EMPLOYMENT

We pride ourselves on hiring for the long term, providing career opportunities for employees to grow as the Company develops. We consider the management of our human resources to be a long-term commitment focused on the collective success of the Company as a whole. We seek employees who share our culture and strong work ethic, and we offer them fair wages and generous benefits.

### G4-LA2

## COMPREHENSIVE BENEFITS

Innergex offers its employees a comprehensive total compensation package that includes:

- base salary
- bonus
- life insurance
- short- and long-term disability coverage
- extended health benefits and dental coverage
- sick days and personal days
- vacation time beyond statutory requirements
- group registered retirement savings plan with employer contributions
- employee share purchase plan

These benefits are offered to all permanent employees, as well as to fixed-term employees with a contract of two years or more. Fixed-term employees with a contract of less than two years receive the same benefits with the exception of the group registered retirement savings plan and the employee share purchase plan. Other temporary employees do not receive these benefits.

In 2014, we conducted an external benchmarking exercise for the base salaries and bonuses of all employees except senior executives (vice-presidents and C-suite executives) and found them to be globally competitive. The Company has established the practice of conducting such benchmarking exercises every two to three years.

### G4-LA9

## EMPLOYEE TRAINING AND DEVELOPMENT

Innergex is committed to the continuous training and development of its employees, both in the area of job-related skills training and lifelong learning for personal development. We recognize that staff training and development is an integral part of our strategic planning. It enables employees to perform their individual jobs effectively and thus assist Innergex in meeting its strategic objectives. It is also an effective means of keeping employees engaged and productive. We support employees' initiatives to pursue professional development opportunities. We also pay for employees' continuing education requirements pertaining to their professional designations. In some cases, we hire and train new employees to meet the qualification requirements of their position, as part of programs established with our local community or First Nations partners to promote hiring within the community.

We engage employees in a three-step performance assessment process throughout the year: objective-setting, mid-year review, and year-end assessment. This is an opportunity for managers and employees to discuss expectations and performance, and provides a valuable feedback process for employees to improve their performance and engagement and to pursue their professional development. ●

### AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE

	FEMALE	MALE	COMBINED
Senior management	28	13	21
Management positions	37	37	37
Professionals	20	34	27
Administratives	13	25	19
Operations <sup>1</sup>	n/a	46	46

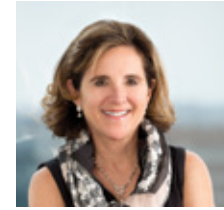
Excludes employees of Cartier Wind Energy Inc., which is owned and managed separately.

<sup>1</sup> Operations and Maintenance employees receive more hours of training because of implemented health and safety practices. There are no female operators.



Under Quebec labour laws, we are required to spend 1% of our total payroll expenditures in the province on training and education. In 2014, we exceeded this requirement.





*"We can count on a highly skilled and expert workforce to achieve our organization's objectives. We strive to offer our employees a motivating and rewarding work environment that fosters human values."*

**Anne Cliche, Vice President**  
– Human Resources

G4-LA13

## EQUAL REMUNERATION FOR WOMEN AND MEN

### OBJECTIVE | MAINTAIN PAY EQUITY

We also believe in equal pay for work of equal value. We have created a company-wide salary structure using a point-factor method that allows us to determine the appropriate salary bracket for each position within the Company, with the exception of vice-presidents and C-suite executives, whose compensation is determined by the Board of Directors. Within each bracket, we determine pay equity by taking into account additional factors, such as employees' seniority and education. Factors for position or job classification:

- Qualifications required – training, experience, skills
- Responsibilities assumed – accountability, responsibility, supervision
- Efforts required – intellectual, physical, concentration and sensory attention
- Working conditions – physical and psychological environment

Under Quebec labour laws, we are required to implement and monitor pay equity practices and report on these every five years. In 2013, we conducted an assessment that determined that no wage gap existed between female and male employees in each of our various job categories in Quebec (excluding operators); we filed a declaration to that effect with Quebec's *Commission de l'équité salariale*.



### PAY EQUITY RATIO OF WOMEN TO MEN

	BASIC SALARY	REMUNERATION
Senior directors	102%	98%
Management positions	91%	89%
Professionals	97%	94%
Administratives	111%	110%
Operations <sup>1</sup>	n/a	n/a

Excludes employees of Cartier Wind Energy Inc., which is owned and managed separately. Includes all positions with the exception of vice-presidents and C-suite executives. Reasons that account for the gap include seniority, employee status, start date, and a greater participation of males in the Company's employee share purchase plan and group registered retirement savings plan.

<sup>1</sup> There are no female operators.



# ABOUT OUR GOVERNANCE

Innergex is governed by a Board of Directors composed of six directors, including five independent directors and the President and Chief Executive Officer of the Company. Independence has been 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 an independent director. There is no specific committee responsible for decision-making on economic, environmental and social considerations, as the Board considers sustainability matters to be an integral part of its duties.

The primary stewardship responsibility of the Board of Directors is to ensure Innergex's viability. Its mandate is to oversee the management of the business and affairs of the Company with a view to evaluating, on an ongoing basis, whether its resources are being managed in a manner consistent with shareholder value enhancement, ethical considerations, and stakeholders' interests.

The Board comprises the following committees, each of which is composed of independent directors. In summary:

- The **Audit Committee** assesses the effectiveness of the Company's internal controls and oversees the accurate, reliable, and proper disclosure of financial information, in conformity with all securities regulations and accounting standards.
- The **Corporate Governance Committee** oversees the implementation of appropriate corporate governance structures and procedures and evaluates the overall efficiency of the Board and its committees.
- The **Nominating Committee** assesses the appropriateness of the Board's make-up and identifies suitable candidates based on a skills matrix developed by the Corporate Governance Committee as part of its ongoing succession planning.
- The **Human Resources Committee** regularly reviews and adjusts the compensation mechanisms of Board members, senior management, and employees, ensuring that they align with the Company's growth and creation of long-term value for shareholders; it also reviews the succession planning process for senior management. ●



# ETHICS AND INTEGRITY

We are guided by key principles, core values, and a clearly articulated code of conduct in working to achieve our goals.

## KEY PRINCIPLES

Innergex adheres to the following key principles in order to provide a solution to the energy challenges of both today and tomorrow, protect the environment while optimizing the use of natural resources to produce electricity, and earn and sustain its social acceptability. ●

# 1

We believe that people should have access to reliable, affordable, clean and renewable energy.

# 2

Climate change is real. We believe that renewable energy is part of the solution to climate change.

# 3

We believe in a level playing field for electricity procurement. We support carbon pricing or any other means of internalizing environmental and social costs in the price of electricity.

# 4

We believe in the protection of our environment and in the responsible development of natural resources. We support a comprehensive and efficient regulatory and planning framework.

# 5

We believe that social acceptance is the cornerstone of successful project development and that strong projects are built on long-term cooperation with stakeholders and by working in collaboration with First Nations and local communities.

# 6

We believe in long-term sustainable development that balances social, environmental, and economic considerations.

# 7

We believe in lasting relationships with our employees, our partners, and our external stakeholders built on respect, transparency, and integrity.

# 8

We believe that Innergex can effect change.

➔ Read the [Charter](#) for each of the Board of Directors' committees at [innergex.com](#).



## ANTI-CORRUPTION MEASURES

### G4-S04

Innergex's anti-corruption measures are currently included in its Code of Conduct. As such, they are communicated to employees, officers, and directors on an annual basis. Annual training sessions on the content of the Code of Conduct are also given to all employees and officers.

➔ Read Innergex's [Policies](#) at [innergex.com](#).



## VALUES

The members of the Innergex team champion values that have earned them the respect of their partners, their stakeholders, and the communities who host their projects.

**Integrity:** We are guided in our decisions by a set of clear principles which ensure that our values and our actions are congruent. These principles are articulated in a series of policies.

**Responsibility:** We are accountable to our partners and stakeholders for the economic, social, and environmental impacts of the sites we develop and operate, as well as the energy we produce. We are also accountable for the successful implementation of our business plan and the achievement of our established objectives.

**Transparency:** We encourage and value open bidirectional communication with our partners and stakeholders, and we strive to provide complete and accurate information about our activities and our performance that is easily available to the general public.

**Collaboration:** We build solid relationships with our external stakeholders, including First Nations and local communities, suppliers and service providers, as well as government and regulatory agencies – successful partnerships that form the foundation of our long-term success. Internally, we promote a culture of teamwork and cooperation among our employees. ●

## CODE OF CONDUCT

In 2014, we revised and updated our Code of Conduct, a founding document that 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 Company. Its purpose is to provide guidelines to ensure that Innergex's reputation for integrity and good corporate citizenship is maintained through the adherence to high ethical standards, backed by open and honest relations among employees, shareholders, directors, officers, suppliers, host communities, partners and other stakeholders. Employees, officers and directors of the Company receive a copy of the Code of Conduct, as well as a training session on its content, each year. Infractions of the Code of Conduct are reported to the Board of Directors' Corporate Governance Committee. ●



→ Read Innergex's [Code of Conduct](http://innergex.com) at [innergex.com](http://innergex.com).



# ABOUT THIS REPORT

**W**e are pleased to produce Innergex's first sustainability report, for the year ended December 31, 2014. This report covers the activities of the Company, namely the operation of 33 renewable energy facilities and the development of five renewable energy projects. It excludes the activities of any of its partners. It has been prepared in accordance with the Core option of the Global Reporting Initiative's (GRI) G4 reporting guidelines.

During the year ended December 31, 2014, no significant change occurred in the Company's activities, structure or supply chain. Since this is our first sustainability report, no data for prior years has been provided. The financial information contained in this report is consistent with the Company's audited consolidated financial statements established under IFRS reporting standards.

In conducting its activities, the Company makes use of independent contractors and consultants hired under contract. For example, independent contractors are hired for all site construction activities, prior to a facility reaching commercial operation. Independent consultants are hired for engineering design, environmental studies and environmental monitoring programs, most of which occur during the development and construction phases of a project, as well as in the first few years of a facility's commercial operation. However, we have defined the scope of this first sustainability report to exclude the activities of independent contractors and consultants hired under contract by the Company.

The contents of this report have been validated by all internal authorities accountable for sustainable development and information disclosure, including the President and Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer, and they have been reviewed by the Board of Directors. We have not obtained external assurance for this report and we do not have a stated policy regarding the external assurance of our sustainability report. We intend to report on our sustainability performance every two years.

#### G4-32

Please refer to the GRI Content Index for 'In Accordance' – Core on page 35. ●

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➔ Find out more about the **Global Reporting Initiative** at [globalreporting.org](http://globalreporting.org).



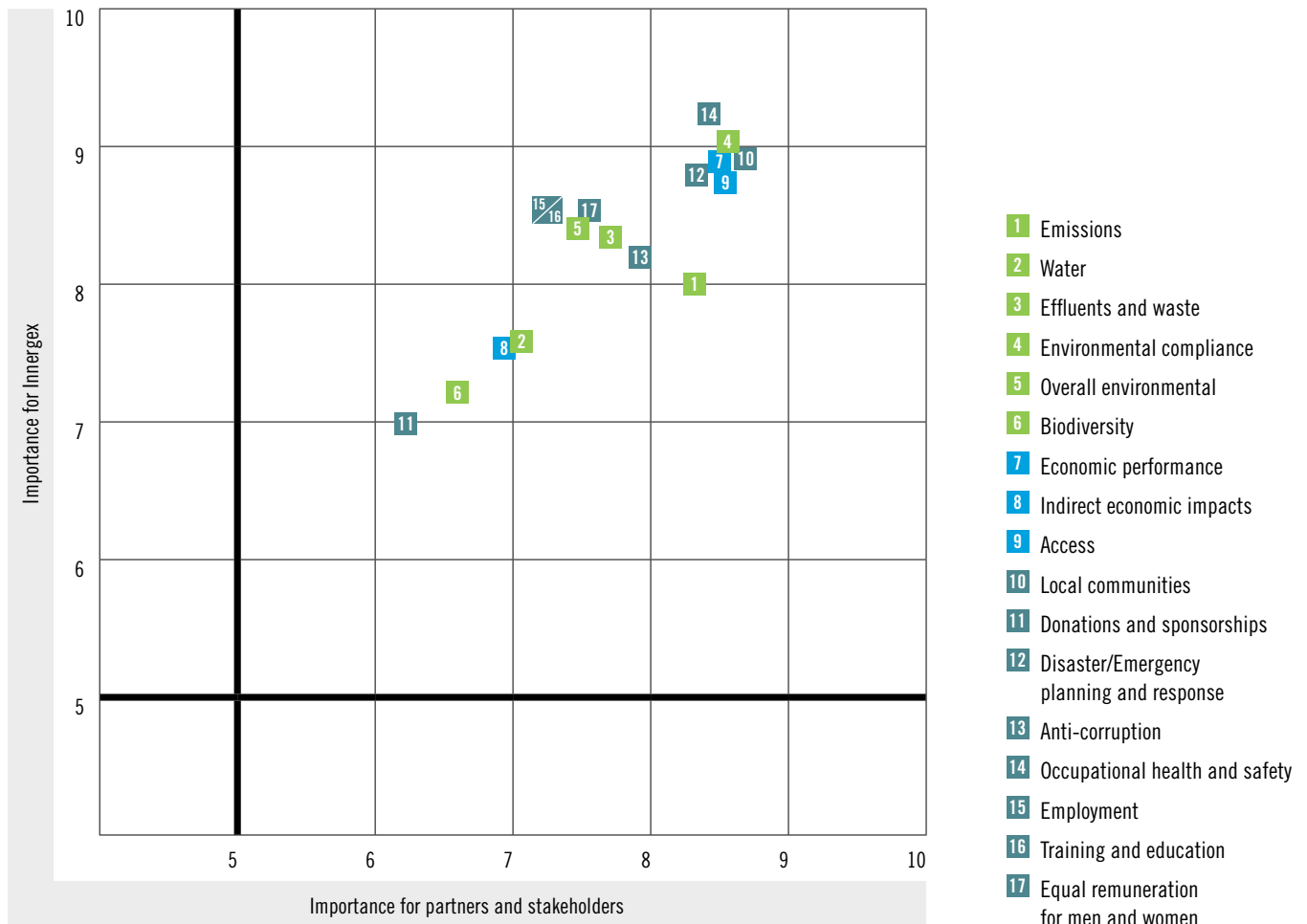
# DETERMINING REPORT CONTENT AND ASPECT BOUNDARIES

An internal Steering Committee was formed to determine what topics should be included in the report. They began by identifying which of the Company's many stakeholders and partners to engage with during this process. These were selected based on their potential impact on the Company and their knowledge of our business activities. The Steering Committee then identified potentially relevant topics for the sustainability report and conducted stakeholder and partner consultations in the form of in-depth individual interviews with employees, management, external stakeholders and partners, employee workshops in both corporate offices, and a survey of all employees and selected external stakeholders and partners. The Steering Committee used the results of these consultations to decide on the 17 sustainability Aspects that were most material for the Company. These are plotted on the materiality matrix shown below. Finally, the Steering Committee selected the indicators to report on for each material Aspect, based on appropriateness and data availability. ●

## CONTACT US

We would like to hear from you! Please send your questions, comments and feedback to the Director - Communications and Sustainable Development [mjprivyk@innergex.com](mailto:mjprivyk@innergex.com)

## MATERIAL ASPECTS FOR INNERGEX'S STAKEHOLDERS AND PARTNERS



## INNERGEX'S KEY STAKEHOLDER CATEGORIES, THEIR KEY ISSUES AND HOW WE ADDRESS THEM

In preparing this report, we engaged with representatives from each of these stakeholder categories.

STAKEHOLDER GROUP	APPROACH (FREQUENCY AND TYPE OF ENGAGEMENT)	KEY TOPICS OR CONCERNS RAISED	OUR RESPONSE
<b>CONTRACTORS AND SERVICE PROVIDERS</b>	Direct interaction Regular meetings Environmental audits	Regulatory and environmental requirements Contractual obligations Local jobs and training Health and safety Costs	We work closely with our contractors and service providers to ensure that we respect our contractual obligations and strive to maintain the highest level of environmental compliance.  We encourage them to strive to maintain the highest levels of health and safety for their employees.  We maintain a focus on delivering our development projects on time and on budget.
<b>CUSTOMERS</b>	Proactive direct interaction Responses to requests for proposals	Electricity cost/pricing Availability Delivery as per contracts	We strive to submit the most cost-competitive bids in requests for proposals.  We maintain a strong operational focus to maximize equipment availability and respect our contractual commitments.
<b>EMPLOYEES</b>	Direct conversations Group meetings Annual performance reviews	Environmental compliance Employment opportunities Training Sustainable office practices	We strive to maintain the highest level of environmental compliance.  We encourage training at all levels throughout the Company.  We plan to form a committee to implement sustainable office practices in both offices.
<b>FIRST NATIONS</b>	Direct ongoing interaction Formal meetings Attending community events Donations and sponsorships	Jobs and training for community members Socio-economic benefits Environmental protection Traditional land use Historical or archeological preservation	We maintain an ongoing dialogue with First Nations and proactively provide information.  We work with our contractors and suppliers to maximize local jobs and provide training to community members.  We have impact and benefit agreements with First Nations that take their concerns and aspirations into account when designing projects.  We offer case-by-case solutions to issues raised.
<b>GOVERNMENT OFFICIALS</b>	Membership and active participation in industry associations Political events Individual meetings	Electricity cost/pricing Industry sustainability First Nations Efficiency and effectiveness of regulatory regime	We strive to submit the most cost-competitive bids in requests for proposals.  We work to align our business activities with government objectives, such as sustainable development and local communities' and First Nations' economic development.
<b>LENDERS</b>	Quarterly reporting Direct interaction Requests for proposals	Availability of equipment Revenues and costs in line with budgets Major maintenance requirements Actual production conforming to the long-term average	We maintain a strong operational focus to meet expected facility performance.  We strive to maintain the highest level of compliance with all debt covenants.  We maintain major-maintenance reserves and debt-service reserves as per our lending agreements.
<b>LOCAL OR HOST COMMUNITIES</b>	Direct interaction Open houses Information sessions Newsletters Local offices Monitoring and follow-up committees	Local jobs and training Socio-economic benefits Environmental protection Aesthetic and recreational use Health	We maintain an ongoing dialogue with local communities and proactively provide information.  We work with our contractors and suppliers to maximize local jobs and provide training to community members.  We have employees on the ground locally.  We take into account communities' concerns and aspirations in designing projects.  We offer case-by-case solutions to issues raised.

STAKEHOLDER GROUP	APPROACH (FREQUENCY AND TYPE OF ENGAGEMENT)	KEY TOPICS OR CONCERNS RAISED	OUR RESPONSE
<b>NGOS</b>	Membership Sponsorships Direct interaction Participation in joint initiatives	Environmental protection Responsible development Greenhouse gas emissions Transitioning away from fossil fuels	We maintain an ongoing dialogue, share information, share best practices, host site visits.
<b>PARTNERS</b>	Direct interaction Reporting Board meetings	Performance of the facility Honouring commitments	We communicate regularly with our partners. We maintain a strong operational focus to achieve expected facility performance.
<b>REGULATORY AUTHORITIES</b>	Regulatory reporting Committee participation Direct interaction Site visits Presentations	Environmental compliance Efficiency and appropriateness of regulations	We strive to maintain the highest level of environmental compliance and reporting as per our contractual agreements. We conduct monitoring activities and report on them as per our contractual agreements. We conduct our own internal audits in addition to external government audits. We engage with regulatory authorities when possible to address the efficiency, appropriateness and competitive impact of regulations.
<b>SHAREHOLDERS</b>	Individual meetings Conferences Investor presentations Conference calls and webcasts Regulatory annual and quarterly reporting	Financial performance Exposure to rising interest rates Cash flow generation Dividend security Dividend increases Growth opportunities Use of capital	We maintain a low-risk business model and hedge our debts against potential interest rate increases. We maintain a strong focus on generating predictable, long-term cash flows to support the dividend. We maintain a focus on delivering our development projects on time and on budget. We have a strategic plan to replenish our sources of long-term growth.
<b>SUPPLIERS</b>	Direct interaction Requests for proposals	Costs Economic performance Growth opportunities Design innovation (sometimes to meet regulatory requirements)	We work closely with our suppliers on the design of new facilities and optimization of production costs. We maintain a focus on delivering our development projects on time and on budget. We have a strategic plan to replenish our sources of long-term growth.



# GRI CONTENT INDEX FOR “IN ACCORDANCE” CORE GENERAL STANDARD DISCLOSURES

Indicator	Description	Page or Cross-Reference	Answer or Additional Information	External Assurance
<b>STRATEGY AND ANALYSIS</b>				
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Message from the President and CEO, p. 3		N/A
<b>ORGANIZATIONAL PROFILE</b>				
G4-3	Name of the organization	About Innergex, p. 4	Innergex Renewable Energy Inc.	N/A
G4-4	Primary brands, products, and services	About Innergex, p. 4		N/A
G4-5	Location of the organization's headquarters	Back cover of report		N/A
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	See Answer	The Company has only one facility outside of Canada, which represented 1.4% of consolidated revenues in 2014.	N/A
G4-7	Nature of ownership and legal form	About Innergex, p. 4		N/A
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	About Innergex, p. 4		N/A
G4-9	Scale of the organization, including: total number of employees, total number of operations, net sales or net revenues, total capitalization, quantity of products or services provided	About Innergex, p. 4	Innergex has 153 employees. Cartier Wind Energy has 36 employees.	N/A
G4-10	Number of employees, with breakdown by: employment contract/type, gender, region, etc.	About Innergex, p. 5 See Answer	No substantial portion of the Company's work is performed by self-employed workers or individuals other than employees or supervised workers.  Data excludes contractors, independent contractors, sub-contractors and consultants.	N/A
G4-11	Percentage of total employees covered by collective bargaining agreements	See Answer	None of Innergex's employees are covered by collective bargaining agreements.	N/A
G4-12	Describe the organization's supply chain	About Innergex, p. 7		N/A
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About this report, p. 31		N/A
G4-14	Whether and how the precautionary approach or principle is addressed	See Answer Preserve the natural environment, p. 10	Innergex applies the precautionary approach in determining the potential negative environmental impacts of its project development activities and in each project's engineering design specifications.	N/A
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	About Innergex, p. 7		N/A
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations in which the organization holds a position on the governance body, participates in projects or committees, provides substantive funding beyond routine membership dues, views membership as strategic	About Innergex, p. 7		N/A
G4-EU1	Installed capacity, broken down by primary energy source and by regulatory regime	About Innergex, p. 5		N/A
G4-EU2	Net energy output, broken down by primary energy source and by regulatory regime	About Innergex, p. 5		N/A
G4-EU3	Number of residential, industrial, institutional and commercial customer accounts	About Innergex, p. 4		N/A

# GRI CONTENT INDEX FOR “IN ACCORDANCE” CORE GENERAL STANDARD DISCLOSURES

Indicator	Description	Page or Cross-Reference	Answer or Additional Information	External Assurance
G4-EU4	Length of above- and underground transmission and distribution lines by regulatory regime	Create Wealth, p. 17		N/A
G4-EU5	Allocation of CO <sub>2</sub> emission allowances or equivalent, broken down by carbon trading framework	See Answer	We have no CO <sub>2</sub> emission allowances or the equivalent.	N/A

## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	List of entities included in the organization's consolidated financial statements or equivalent documents, and whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	2014 Annual Information Form p. 15 and p. 52; 2014 Consolidated Audited Financial Statements, p. 114 About Innergex, p. 6 See Answer	The entities included in this report are the same as those included in the Company's consolidated financial statements. Unless otherwise specified, financial data in this report are derived from the Company's audited consolidated financial statements established under IFRS reporting standards. Other non-financial data, such as for joint ventures that are excluded from full consolidation under IFRS, may be included in this report.	N/A
G4-18	Process for defining the report content and the Aspect Boundaries and way of implementing the Reporting Principles for Defining Report Content	About this report, p. 32 See Answer	<b>Steering Committee members:</b> Director - Communications and Sustainable Development Chief Investment Officer Vice President - Corporate Legal Affairs and Secretary Vice President - Environment Senior Director - Development, Partnerships and Community Relations Director - Development, Partnerships and Community Relations (West) Senior Advisor - Development, Partnerships and Community Relations (East) Senior Director - Government and Regulatory Affairs Senior Director - Finance	N/A
G4-19	List of all material Aspects identified in the process for defining report content	About this report, p. 32		N/A
G4-20	For each material Aspect, Aspect Boundary within the organization	Separate table in this index, p. 40		N/A
G4-21	Aspect Boundary outside the organization, for each material Aspect	Separate table in this index, p. 40		N/A
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	See Answer	This is the Company's first sustainability report.	N/A
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	See Answer	This is the Company's first sustainability report.	N/A

## STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged by the organization	About this report, p. 33		N/A
G4-25	Basis for identification and selection of stakeholders with whom to engage	About this report, p. 32		N/A
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagements was undertaken specifically as part of the report preparation process	About this report, p. 33		N/A
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting, and which stakeholder groups raised each of the key topics and concerns	About this report, p. 33		N/A



# GRI CONTENT INDEX FOR “IN ACCORDANCE” CORE GENERAL STANDARD DISCLOSURES

Indicator	Description	Page or Cross-Reference	Answer or Additional Information	External Assurance
<b>REPORT PROFILE</b>				
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About this report, p. 31 See Answer	The financial and indicator data in this report are as at December 31, 2014, unless otherwise specified.	N/A
G4-29	Date of most recent previous report (if any)	See Answer	This is the Company's first sustainability report.	N/A
G4-30	Reporting cycle (such as annual, biennial)	About this report, p. 31		N/A
G4-31	Contact point for questions regarding the report or its contents	About this report, p. 32 See Answer	Director - Communications and Sustainable Development mjprivyk@innnergex.com	N/A
				N/A
G4-32	'In accordance' option chosen by the organization, GRI content index for the chosen option, reference to the External Assurance Report, if the report has been externally assured	About this report, p. 31 GRI Content Index, p. 35		N/A
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	About this report, p. 31		N/A
<b>GOVERNANCE</b>				
G4-34	Governance structure of the organization, including committees of the highest governance body	About our governance, p. 28 Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. C-1		N/A
G4-38	Composition of the highest governance body and its committees	2014 Annual Information Form, p. 43 Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. C-4		N/A
G4-39	Whether the Chair of the highest governance body is also an executive officer	About our governance, p. 28 Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. B-2		N/A
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. 8, p. B-5		N/A
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed, and whether conflicts of interest are disclosed to stakeholders	Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. C-4		N/A
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	About this report, p. 31		N/A
G4-51	Remuneration policies for the highest governance body and senior executives	Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. 10-12, p. C-2		N/A
G4-52	Process for determining remuneration	Management Information Circular - Solicitation of Proxies dated April 8, 2015, p. 10-12		N/A
<b>ETHICS AND INTEGRITY</b>				
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	About our governance, p. 29-30		N/A

# GRI CONTENT INDEX FOR “IN ACCORDANCE” CORE

## SPECIFIC STANDARD DISCLOSURES: ASPECTS AND INDICATORS

Material Aspect	Indicator	Description	Page or Cross-Reference	Answer or Additional Information	External Assurance
<b>ENVIRONMENT</b>					
Emissions	<b>G4-EN15</b>	Direct greenhouse gas (GHG) emissions (Scope 1)	Respect the natural environment, p. 9 See Answer	We sell the electricity we produce to the grid operator and have no data for estimated net delivery to end users.	N/A
Water	<b>G4-EN8</b>	Total water withdrawal by source	Respect the natural environment, p. 9		N/A
	<b>G4-EN9</b>	Water sources significantly affected by withdrawal of water	See Answer	Because we make non-consumptive use of water at our hydroelectric facilities and we consume very little water in operating our facilities, none of our water sources is significantly affected by the withdrawal of water.	N/A
Effluents and waste	<b>G4-EN24</b>	Total number and volume of significant spills	Respect the natural environment, p. 13 See Answer	We also reported no spills in our 2014 financial statements.	N/A
	<b>G4-EN26</b>	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	See Answer	Because we consume very little water in operating our facilities, no water bodies and related habitats are significantly affected by any discharge of water and runoff.	N/A
Compliance	<b>G4-EN29</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Respect the natural environment, p. 13		N/A
Biodiversity	<b>G4-EN12</b>	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	See Answer	None of our operating facilities or development projects are located in protected areas or areas of high biodiversity value outside protected areas.  However, in protecting Valued Components, both environmental and social, we are protecting the biodiversity of the areas where we have activities.	N/A
	<b>G4-EN13</b>	Habitats protected or restored	Respect the natural environment, p. 11		N/A
Overall	<b>G4-EN31</b>	Total environmental protection expenditures and investments by type	Respect the natural environment, p. 11		N/A
<b>ECONOMIC</b>					
Economic performance	<b>G4-EC1</b>	Direct economic value generated and distributed	Create wealth, p. 14 See Answer	Since we only have one facility in the U.S., we do not disclose financial data separately by country.	N/A
Indirect economic impacts	<b>G4-EC7</b>	Development and impact of infrastructure investments and services supported	Create wealth, p. 19		N/A
	<b>G4-EC8</b>	Significant indirect economic impacts, including the extent of impacts	Create wealth, p. 20 Share with people, p. 22-23		N/A
Access	<b>G4-EU30</b>	Average plant availability factor by energy source and by regulatory regime	Create wealth, p. 17		N/A



# GRI CONTENT INDEX FOR “IN ACCORDANCE” CORE

## SPECIFIC STANDARD DISCLOSURES: ASPECTS AND INDICATORS

Material Aspect	Indicator	Description	Page or Cross-Reference	Answer or Additional Information	External Assurance
<b>SOCIAL - SOCIETY</b>					
Local communities	<b>G4-S01</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Share with people, p. 22		N/A
	<b>NON GRI</b>	Number of projects or assets developed in partnership with local communities and First Nations	Share with people, p. 22 About Innergex p. 6		N/A
	<b>NON GRI</b>	Revenues generated by assets owned in partnership with local communities and First Nations	Share with people, p. 22		N/A
	<b>NON GRI</b>	Number of contractual relationships with local communities and First Nations, brief description of the types of agreements	Share with people, p. 22-23		N/A
	<b>NON GRI</b>	Monetary value of contractual payments made to local communities and First Nations (excludes distributions to equity owners and voluntary donations and sponsorships)	Share with people, p. 23		N/A
NON GRI ASPECT Donations and sponsorships	<b>NON GRI</b>	Monetary value of donations and sponsorships, by type (local communities and First Nations or corporate)	Share with people, p. 23		N/A
	<b>NON GRI</b>	Percentage of revenues allocated to donations and sponsorships	Share with people, p. 23		N/A
Disaster/Emergency planning and response	---	Disclosure of Management Approach only	Share with people, p. 25		N/A
Anti-corruption	<b>G4-S04</b>	Communication and training on anti-corruption policies and procedures	About our governance, p. 29		N/A
<b>SOCIAL - LABOUR PRACTICES AND DECENT WORK</b>					
Employment	<b>G4-LA2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Share with people, p. 26		N/A
Occupational health and safety	<b>G4-LA6</b>	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Share with people, p. 25 See Answer	Data presented excludes the absentee rate, for which we do not have reliable data in 2014. Injuries exclude first aid.	N/A
Training and education	<b>G4-LA9</b>	Average hours of training per year per employee by gender, and by employee category	Share with people, p. 26		N/A
Equal remuneration for men and women	<b>G4-LA13</b>	Ratio of basic salary and remuneration of women to that of men by employee category, by significant locations of operation	Share with people, p. 27		N/A

# GRI CONTENT INDEX FOR “IN ACCORDANCE” CORE

## SPECIFIC STANDARD DISCLOSURES: ASPECT BOUNDARIES

Material Aspect	Disclosure of Management Approach (DMA)	Material within the Company or externally? *When within the Company, applies to all entities identified in G4-17	External entities for which the Aspect is relevant In alphabetical order
<b>ENVIRONMENT</b>			
Overall	Respect the natural environment, p. 8-13	Both	-First Nations -Government officials -Lenders -Local communities -NGOs -Partners -Regulatory authorities -Shareholders
Emissions	Respect the natural environment, p. 8-13	Both	
Water	Respect the natural environment, p. 8-13	Both	
Effluents and waste	Respect the natural environment, p. 8-13	Both	
Compliance	Respect the natural environment, p. 8-13	Both	
Biodiversity	Respect the natural environment, p. 8-13	Both	
<b>ECONOMIC</b>			
Economic performance	Create wealth, p. 14-18 Management’s Discussion and Analysis (MD&A) and financial statements at December 31, 2014	Both	-Customers -First Nations -Lenders -Local communities -Partners -Shareholders -Suppliers
Indirect economic impacts	Create wealth, p. 19-20	Both	
Access	Create wealth, p. 17	Both	
<b>SOCIAL - SOCIETY</b>			
Local communities	Share with people, p. 21-23	Both	-Customers -First Nations -Government officials -Lenders -Local communities -NGOs -Partners -Regulatory authorities -Shareholders
Donations and sponsorships	Share with people, p. 21-23	Both	
Disaster/Emergency planning and response	Share with people, p. 25	Both	
Anti-corruption	About our governance, p. 29 Code of Conduct, p. 8	Both	
<b>SOCIAL - LABOUR PRACTICES AND DECENT WORK</b>			
Employment	Share with people, p. 24-27	Within the Company	---
Occupational health and safety	Share with people, p. 24-25	Both	-First Nations -Government officials -Local communities -Partners -Regulatory authorities -Shareholders -Suppliers
Training and education	Share with people, p. 26	Within the Company	---
Equal remuneration for men and women	Share with people, p. 27	Within the Company	---

## FORWARD-LOOKING INFORMATION IN THIS DOCUMENT

The following table outlines the Forward-Looking information as described on the inside cover and contained in this document, that the Company considers important to better inform readers about its potential financial performance. Also included are the principal assumptions used to derive this information and the principal risks and uncertainties that could cause actual results to differ materially from it.

PRINCIPAL ASSUMPTIONS	PRINCIPAL RISKS AND UNCERTAINTIES
<p><b>PROJECTED REVENUES</b></p> <p>For each facility, expected annual revenues are estimated by multiplying the LTA by a price for electricity stipulated in the power purchase agreement secured with a public utility or other creditworthy counterparty. These agreements stipulate a base price and, in some cases, a price adjustment depending on the month, day and hour of delivery, except for the Miller Creek hydroelectric facility, which receives a price based on a formula using the Platts Mid-C pricing indices, and the Horseshoe Bend hydroelectric facility, for which 85% of the price is fixed and 15% is adjusted annually as determined by the Idaho Public Utility Commission. In most cases, power purchase agreements also contain an annual inflation adjustment based on a portion of the Consumer Price Index. On a consolidated basis, the Company estimates annual revenues by adding together the projected revenues of all the facilities in operation that it consolidates (excludes Umbata Falls and Viger-Denonville, accounted for using the equity method).</p>	<p>Production levels below the LTA caused mainly by the improper assessment of water, wind and sun resources and associated electricity production, the variability in hydrology, wind regimes and solar irradiation, or equipment failure or unexpected operations and maintenance activity</p> <p>Unexpected seasonal variability in the production and delivery of electricity</p> <p>Lower inflation rate than expected</p>
<p><b>PROJECTED ADJUSTED EBITDA</b></p> <p>For each facility, the Company estimates annual operating earnings by subtracting from the estimated revenues the budgeted annual operating costs, which consist primarily of operators' salaries, insurance premiums, operations and maintenance expenditures, property taxes, and royalties; these are predictable and relatively fixed, varying mainly with inflation except for maintenance expenditures. On a consolidated basis, the Company estimates annual Adjusted EBITDA by adding together the projected operating earnings of all the facilities in operation that it consolidates, from which it subtracts budgeted general and administrative expenses, comprised essentially of salaries and office expenses, and budgeted prospective project expenses, which are determined based on the number of prospective projects the Company chooses to develop and the resources required to do so (excludes Umbata Falls and Viger-Denonville, accounted for using the equity method).</p>	<p>Variability of facility performance and related penalties</p> <p>Changes to water and land rental expenses</p> <p>Unexpected maintenance expenditures</p>
<p><b>PROJECTED FREE CASH FLOW AND PAYOUT RATIO</b></p> <p>The Company estimates Free Cash Flow as projected cash flow from operations before changes in non-cash operating working capital items, less estimated maintenance capital expenditures net of proceeds from disposals, scheduled debt principal payments, preferred share dividends and the portion of Free Cash Flow attributed to non-controlling interests, plus cash receipts by the Harrison Hydro L.P. for the wheeling services to be provided to other facilities owned by the Company over the course of their power purchase agreement. It also adjusts for other elements, which represent cash inflows or outflows that are not representative of the Company's long-term cash generating capacity, such as adding back transaction costs related to realized acquisitions (which are financed at the time of the acquisition) and adding back realized losses or subtracting realized gains on derivative financial instruments used to fix the interest rate on project-level debt.</p> <p>The Company estimates the Payout Ratio by dividing the most recent declared annual common share dividend by the projected Free Cash Flow.</p>	<p>Adjusted EBITDA below expectations caused mainly by the risks and uncertainties mentioned above and by higher prospective project expenses</p> <p>Project costs above expectations caused mainly by the performance of counterparties and delays and cost overruns in the design and construction of projects</p> <p>Regulatory and political risk</p> <p>Interest rate fluctuations and financing risk</p> <p>Financial leverage and restrictive covenants governing current and future indebtedness</p> <p>Unexpected maintenance capital expenditures</p> <p>The Company may not declare or pay a dividend</p>



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## PRINCIPAL ASSUMPTIONS

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## PRINCIPAL RISKS AND UNCERTAINTIES

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### ESTIMATED PROJECT COSTS, EXPECTED OBTAINMENT OF PERMITS, START OF CONSTRUCTION, WORK CONDUCTED AND START OF COMMERCIAL OPERATION FOR DEVELOPMENT PROJECTS OR PROSPECTIVE PROJECTS

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For each development project, the Company provides an estimate of project costs based on its extensive experience as a developer, directly related incremental internal costs, site acquisition costs and financing costs, which are eventually adjusted for projected costs provided by the engineering, procurement and construction (EPC) contractor retained for the project.

The Company provides indications regarding scheduling and construction progress for its development projects and indications regarding its prospective projects, based on its extensive experience as a developer.

Performance of counterparties, such as the EPC contractors  
Delays and cost overruns in the design and construction of projects  
Obtainment of permits  
Equipment supply  
Interest rate fluctuations and financing risk  
Relationships with stakeholders  
Regulatory and political risks  
Higher-than-expected inflation

### EXPECTED PROJECT FINANCING OR REFINANCING OF OPERATING FACILITIES

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The Company provides indications of its intention to secure non-recourse project-level debt financing for its development projects and to refinance operating facilities upon the end of the term of existing project-level debt, based on the expected LTA production and expected costs of each project, the expected remaining power purchase agreement term, a leverage ratio of approximately 75%-85%, as well as the Company's extensive experience in project financing and knowledge of the capital markets.

Interest rate fluctuations and financing risk  
Financial leverage and restrictive covenants governing current and future indebtedness

### INTENTION TO SUBMIT PROJECTS UNDER REQUESTS FOR PROPOSALS

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The Company provides indications of its intention to submit projects under requests for proposals based on the state of readiness of some of its prospective projects and their compatibility with the announced terms of these requests for proposals.

Regulatory and political risks  
Ability of the Company to execute its strategy for building shareholder value  
Ability to secure new power purchase agreements

### INTENTION TO GAIN A Foothold IN TARGET MARKETS INTERNATIONALLY

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The Company provides indications of its intention to establish a presence in target markets internationally in the coming years, based on its growth strategy.

Regulatory and political risks  
Ability of the Company to execute its strategy for building shareholder value  
Ability to secure new PPAs  
Foreign exchange fluctuations

## **COMMUNICATIONS**

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**INNERGEX**

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