



2018

SUSTAINABLE DEVELOPMENT REPORT

GOVERNANCE

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

INNERGEX

Renewable Energy.
Sustainable Development.

The Board of Directors supports Innergex in its mission to increase its production of renewable energy by developing and operating high quality facilities while respecting the environment and balancing the best interest of its host communities, its partners and its investors. At Innergex, we believe that the three pillars of sustainability – environmental protection, social development and economic development – are mutually reinforcing. Environmental, Social and Governance (“ESG”) standards have been integrated in the decision-making process to better manage risk and generate sustainable, long-term returns.

On March 25, 2019, Innergex announced that an agreement has been reached to sell its wholly owned subsidiary Magma Energy Sweden A.B. which owns an equity interest of approximately 53.9% in HS Orka hf (“HS Orka”). The activities of HS Orka included two geothermal facilities, one hydro project in development and prospective projects in Iceland which are now treated as discontinued operations. As a result, they are not included in this document.

All data in this report are for the years ended December 31, 2018 and 2017, except when mentioned otherwise.

BOARD COMPOSITION

As at December 31

2018

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

2017

	Female	Male	TOTAL
INDEPENDENT MEMBERS	2	4	6
NON-INDEPENDENT MEMBER	--	1 ²	1
TOTAL	2	5	7
AVERAGE AGE	54	62	59.7

1 On February 27, 2019, a new female Board member was appointed to the Board and is not included in this chart.

2 The only non-independent member is the President and Chief Executive Officer of the Corporation.

As at the date of this document, three women (37.5%) and five men (62.5%) sit on the Board as independent directors. Director independence is determined within the meaning of the Canadian Securities Administrators’ Regulation 58-101 – Respecting Disclosure of Corporate Governance Practices. The Chair of the Board of Directors is an independent member.

The Corporation adopted a policy in order to foster diversity at THE Board level, which, among other things, relates to the identification and nomination of women directors. The purpose of its Policy Regarding Board Diversity is to foster diversity in general and gender diversity in particular on the Board when identifying and selecting new candidates for election to the Board.

PROVEN LEADERSHIP

Our governance is an essential part of the oversight and planning that sets the strategic direction of the Corporation. The diverse and experienced governing body is guided by a clear set of statements, policies and guidelines that reflect the Corporation’s core values of integrity, responsibility, transparency and collaboration. The Board considers sustainability matters to be an integral part of its duties.

Average tenure of all Board members combined on December 31, 2018 was 5.5 years.

BOARD OF DIRECTORS

The primary stewardship responsibility of the Board of Directors is to ensure Innergex’s long-term success. Its mandate is to oversee the management of the business and affairs of the Corporation 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 of Directors, a group currently made up of eight independent members and one non-independent member, is charged with shaping the direction of the Corporation.

EXPERIENCE AND EXPERTISE AT THE TABLE

The nine current members of the Board bring an exhaustive list of professional, relevant and wide-ranging skills and experience to oversee the business and growth of the Corporation. They employ these skills to guide Management and properly manage the Corporate risks. The Corporate Governance Committee developed a skills matrix to identify the key skills and areas of strength which it believes contribute to this duty. For a complete list of skills and experience our Board members bring to the table, please refer to the Skills Matrix in our latest Management Information Circular.

The combined attendance by directors at Board and Committee meetings in 2018 was 100%.

WELL INFORMED

Presentations to the Board are made by Management and external consultants from time to time to educate and keep Board members informed of changes within the Corporation and of regulatory and industry requirements and standards.

In 2018, Board members were provided with the following continuing education tools and activities:

- Presentation on Innovation: Battery and Storage Technology on August 13, 2018
- Overview of the Governmental Affairs Landscape on August 13, 2018
- Visit of the Innovation Center of Telus Corporation in Vancouver on August 13, 2018
- Presentations on Corporate Governance recent developments and trends on March 26 and September 26, 2018
- Presentation on Environmental, Social and Governance Factors provided by external consultants on November 13, 2018
- Training Program on the prevention of harassment in the workplace provided by an external consultant on November 13, 2018
- Renewable Energy Market evolution and Trends and Innovation on December 5, 2018

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

BOARD COMMITTEES – ROLES AND RESPONSIBILITIES

The **Corporate Governance Committee's** primary responsibility is to submit, to the full Board, recommendations concerning corporate governance, board assessment and, together with the Chairman of the Board, the selection of nominees for election to the Board. The Committee's role is to develop a set of corporate governance documents, including Code of Conduct, policies and procedures; assess the Corporation's governance; identify, recruit and recommend nominees for election as directors to the Board; oversee the assessment of the Board and its Committees, and review the Board and its Committees' compensation.

The **Audit Committee's** responsibilities include maintaining a relationship with the external auditor; overseeing financial information and public disclosures; complaints regarding auditing matters; hiring policies; succession planning; and the review and assessment of management's program of risk assessment. The role of the Committee is to oversee the compliance of the Corporation with respect to applicable governmental and authority's legislation and regulation pertaining to financial information disclosure; adequacy of the accounting principles and decisions regarding the presentation of financial statements; fair presentation of the Corporation's financial situation in its quarterly and annual financial statements; timely disclosure of relevant information to shareholders and to the general public; and implementation of efficient internal controls for all of the Corporation's transactions and review of such controls on a regular basis.

The **Human Resources Committee's** primary responsibility is to (i) oversee the senior management compensation policies and practices and seek to ensure such policies are designed to recognize and reward performance and establish a compensation framework which is industry

competitive and results in the creation of shareholder value over the long-term; (ii) supervise the succession planning process for the senior management team; and (iii) assess the overall strategy with respect to human capital management.

SUCCESSION PLANNING

The Human Resources Committee oversees Management's succession planning. At least once a year, the Human Resources Committee reviews the progress, examines any gaps in the succession plan, reviews the development plan of each identified potential successor as well as the different scenarios to efficiently address any emergency replacement events. The Human Resources Committee meets at least once a year with the President and Chief Executive Officer and other officers to review the succession plan and identify the development needs of qualified internal candidates for filling potential future openings in key positions.

MAJORITY VOTING POLICY

The Board has adopted a Majority Voting Policy providing that, in an election of directors, any nominee who receives a greater number of votes withheld than votes in favour of their election must tender his/her resignation to the Board immediately following the shareholders meeting. Under this policy, the Board shall accept the resignation absent exceptional circumstances. It will make its final decision of whether or not to accept the resignation and announce such decision in a press release within ninety (90) days following the shareholders meeting. If the Board declines to accept the resignation, a press release will fully state the reasons for that decision. A copy of the press release shall be provided to the Toronto Stock Exchange. A director who tenders his/her resignation pursuant to this policy will not participate in any meeting of the Board at which the resignation is considered. The policy does not apply in circumstances involving contested director elections.

SHAREHOLDER ENGAGEMENT POLICY

The Board believes in the importance of open and constructive dialogue with our shareholders. To facilitate such engagement, in November 2017, the Board adopted its Shareholder Engagement Policy. This policy outlines how the Board and Management may communicate with shareholders, how shareholders can communicate with the Board, and provides an overview of how Management interacts with shareholders. Shareholders may communicate directly with the Board by email at CA-BOD@innnergex.com.

INNERGEX RENEWABLE ENERGY INC. POLICIES

In addition to articulating our corporate culture, our policies outline the parameters of acceptable and unacceptable individual business conduct. The Board regularly reviews existing policies and makes recommendations based on their expertise and the needs of the Corporation. In 2018, the Board adopted two new policies, the Anti-Corruption and Anti-Bribery Guidelines; and the Statement of Principle – Safeguard and Promotion of Human Rights at Innergex. It also revised six previously existing policies, the Environment, Health and Safety Policy; the Workplace Environment Free of Harassment, Violence and Bullying Policy; the Information Disclosure Policy; the Insider Trading Policy; the Policy Regarding Board Diversity; and the Code of Conduct.

The following is a list of some of our current policies.

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

CODE OF CONDUCT

Innergex's Code of Conduct sets the standard and provides guidance as to our expectations for all employees, officers, consultants, members of the Board of Directors and others when representing the Corporation. Its purpose is to provide guidelines to ensure that Innergex's reputation for integrity and good corporate citizenship is maintained through adherence to high ethical standards, backed by open and honest relations among employees, shareholders, directors, officers, suppliers, host communities, partners and other stakeholders. Innergex revises and updates its Code of Conduct on a regular basis (most recent update completed November 2018) and provides copies and training sessions on its content each year to all employees and directors.

RISK MANAGEMENT

The Corporation is committed to proactive strong risk governance and oversight practices supported by the Board and members of the Management. The Board's risk management oversight aims to ensure that risks are identified, reduced and mitigated, where possible. However, these risks cannot always be identified or be completely eliminated from the Corporation's activities.

WHISTLE-BLOWING POLICY

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

PREVENTING CORRUPTION AND BRIBERY

Achieving high standards of ethical behaviour at Innergex means that neither an employee, director, board member or third-party acting on its behalf will engage, directly or indirectly, in bribery, kick-backs, payoffs, extortion, fraud, embezzlement, money laundering, illegal

financing of political parties, facilitation payments, or any other illegal or fraudulent business practices. The Anti-Corruption and Anti-Bribery Guidelines outline the rules in place to ensure team members act in accordance with Innergex's core values and expectations while complying with applicable anti-bribery or anti-corruption laws. The use of the Corporation's funds or assets, as well as the use of personal funds or assets, for any unlawful, improper, or unethical purpose is strictly prohibited. There are also very strict rules for the giving or receiving of gifts, entertainment or charitable donations; relations with public officials; and the conduct of third-party representatives. These guidelines are reviewed every year by the Board of Directors.

SAFEGUARDING HUMAN RIGHTS

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

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

SUSTAINABLE DEVELOPMENT POLICY

At Innergex, we believe that the three pillars of sustainability – economic development, social acceptance and environmental protection – are mutually reinforcing. In conducting our business we strive to achieve a balance between economic, social and environmental considerations and we commit to plan, decide, manage, and operate through the lens of sustainable development. We recognize this to be a continuous improvement process, rooted in transparency of our objectives, actions, and results. Innergex is committed to following a clear set of outlined key principles in order to provide a solution to the energy challenges of both today and tomorrow, to protect the environment while optimizing the use of natural resources to produce electricity, and to earn and sustain its social acceptability. This policy articulates Innergex's commitment to integrating sustainable development considerations in all aspects of its business, including its strategic planning, decision-making, management, and operations.

To access more information on Innergex's Governance, please visit innnergex.com.

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Sustainable Development.

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