

Ontario Power Generation Inc.

Audit and Risk Committee of the Board

CHARTER

Purpose

The function and purpose of the Audit and Risk Committee is to assist the Board of Directors in their responsibility for oversight of matters relating to:

1. the integrity of OPG's financial statements and reporting, including with respect to OPG's role as Financial Services Manager of the Fair Hydro Trust;
2. the integrity and adequacy of internal controls and standards of Codes of Conduct and ethics;
3. the performance of OPG's internal audit function;
4. the performance and independence of OPG's external auditors;
5. business and financial planning;
6. the performance of OPG's pension, nuclear decommissioning, and used fuel investment funds;
7. OPG's Enterprise Risk Management;
8. assessment of committee performance and board policies; and
9. OPG's cyber security program.

Management is responsible for the preparation, presentation and integrity of OPG's interim and annual financial statements and related disclosure documents. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of internal and disclosure controls and procedures to comply with accounting standards and applicable laws and regulations which provide reasonable assurance that the assets of the Company are safeguarded and transactions are authorized, executed, recorded and properly reported.

Management is also responsible for the identification, assessment, monitoring, and management of the risks to achieving OPG's strategic and business plan objectives and the development and implementation of policies and procedures to respond to such risks.

The Committee's role is to provide oversight that ensures the Company's assets are protected and safeguarded within reasonable business limits and report such to the Board.

Committee Responsibilities and Duties

The Committee shall perform the duties set out in this Charter and shall perform such other duties as may be necessary or appropriate under applicable law or securities rules, or as may be delegated to the Committee by the Board from time to time.

1. Integrity of OPG's Financial Statements and Reporting

The Committee reviews and makes recommendations to the Board with respect to:

- a) appointment or replacement of the Chief Financial Officer;

- b) OPG's annual financial statements and external audit report, including financial statements, Management Discussion and Analysis (MD&A), related footnotes and any documentation required by the *Securities Act* to be prepared and filed by OPG or that OPG otherwise files with securities regulators; and
- c) OPG's Annual Information Form, if required, prior to filing with securities regulators.

The Committee reviews and approves:

- d) OPG's quarterly financial statements and interim financial information and disclosures in the MD&A and earnings press release, prior to filing.

In carrying out its responsibilities for oversight of the integrity of OPG's financial statements and reporting, the Committee will include in its review:

- e) adequacy of procedures in place for the review of OPG's public disclosure of financial information extracted or derived from OPG's financial statements;
- f) the adequacy of OPG's role as Financial Services Manager of the Fair Hydro Trust, including in relation to the Management Oversight Committee (MOC) Charter and the continuing sufficiency of the MOC Charter as reviewed by the Committee from time to time;
- g) significant accounting principles and reporting issues and impact on the financial statements, including complex or unusual transactions, highly judgmental areas, major issues regarding or changes to OPG's selection/application of accounting principles, financial presentations, the effect of regulatory and accounting initiatives, as well as off-balance sheet arrangements on OPG's financial statements;
- h) analysis prepared by Management and/or the external auditor detailing financial reporting issues and judgments made in connection with the preparation of financial information, including analysis of the effects of alternative generally accepted accounting principles methods; and
- i) whether any other matters related to conduct have come to the Committee's attention that causes it to believe that the financial statements contain an untrue statement of material fact or omit to state a necessary material fact.

2. Integrity and Adequacy of Internal Controls and Standards of Codes of Conduct and Ethics

In carrying out its responsibilities for the integrity and adequacy of internal controls, including compliance with legal and regulatory requirements and standards of codes of conduct and ethics, the Committee reviews:

- a) legal, tax, or regulatory matters that may have a material impact on OPG's operations and the financial statements, including, but not limited to, violations of securities law or breaches of fiduciary duty;
- b) the scope of review of internal control over financial reporting, significant findings, recommendations and Management's responses for implementation of actions to correct weaknesses in internal controls;

- c) disclosures made by the Chief Executive Officer and Chief Financial Officer during the certification process regarding significant deficiencies in the design or operation of internal controls or any fraud that involves Management or other employees who have a significant role in OPG's internal controls;
- d) procedures for the receipt, recording and treatment of complaints received by OPG regarding accounting, internal accounting controls, or auditing matters, and procedures for the confidential and anonymous submission by OPG employees of concerns regarding accounting or auditing matters;
- e) expenses of the Board Chair, Board of Directors, President/CEO and the President/CEO's direct reports on an annual basis, and of any other senior officers and employees the Committee considers appropriate; and
- f) reports from the Chief Ethics Officer on independent reviews and investigations of fraud allegations, matters that may involve fraud and/or Codes of Conduct violations and compliance, including anonymous "whistleblower" complaints, except that investigations of matters that involve Code of Business Conduct violations and compliance which are primarily personnel related shall be reviewed by the Human Resources and Governance Committee.

3. Performance of OPG's Internal Audit Function

The Committee reviews and makes recommendations to the Board with respect to:

- a) appointment or replacement of the Chief Audit Executive.

The Committee reviews and approves:

- b) the annual internal audit plan and all major changes to the plan, including the organizational structure, budget and the adequacy of resources; and
- c) the charter of the internal audit function triennially.

In carrying out its responsibilities for the performance of OPG's internal audit function, the Committee reviews:

- d) results of Internal Audit reports including significant findings, the adequacy of control processes, Management's response and the timetable for implementation of Management actions to correct weaknesses, and any difficulties encountered in the course of their work (such as restrictions on the scope of their work or access to information);
- e) Internal Audit's confirmation of organizational independence and disclosure of any conflict of interest; and
- f) Internal Audit performance relative to the annual internal audit plan.

4. Performance and Independence of External Auditor

The Committee reviews and makes recommendations to the Board with respect to:

- a) the external auditor to be annually appointed on behalf of the Shareholder and related compensation, including results of a cyclical performance review, and a comprehensive review of the external audit firm at least once every five years.

The Committee reviews and approves:

- b) pre-approval of additional audit services and fees to be provided by the external auditors if such services are required further to the annual compensation approved by the Board. The Committee may delegate such pre-approval authority to the Committee Chair up to a limit of \$250,000. Any decisions of the Committee Chair to whom pre-approval authority is delegated must be presented to the full Audit and Risk Committee at its next scheduled meeting.

In carrying out its responsibilities for the performance and independence of OPG's external audit function, the Committee reviews:

- c) the work and report of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for OPG, including the resolution of disagreements between Management and the external auditor regarding financial reporting;
- d) the independence and qualifications of the external auditor;
- e) the annual report by the external auditor describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality-control review or peer review of the auditing firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditor and any steps taken to deal with any such issues and all relationships between the external auditors and OPG;
- f) scope and approach of the annual audit plan with the external auditors;
- g) quality and acceptability of OPG's accounting principles including all critical accounting policies and practices used, any alternative treatments that have been discussed with Management as well as any other material communications with Management;
- h) external auditor's process for identifying and responding to key audit and internal control risks;
- i) rotation of the lead audit partner and other audit partners every seven years, and consider regular rotation of the audit firm;
- j) all related-party transactions; and
- k) OPG's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of OPG.

5. Business and Financial Planning

The Committee reviews and makes recommendations to the Board on:

- a) OPG's business plan, including overall financing plan in support of the Company's capital expenditures and medium – long term forecast;
- b) OPG's rate applications to the Ontario Energy Board, including proposed payment amounts and any agreement arising from a Settlement Conference with intervenors; and
- c) corporate financing vehicles, credit facilities, including any plans to access capital debt markets and other related financing activities. The Board may delegate to an officer of the Company authority to enter into such financing activities in such a manner as the Board shall determine at the time of such delegation. Any decisions of the officer to whom authority is delegated must be presented to the full Audit and Risk Committee at its next scheduled meeting.

6. Pension, Nuclear Decommissioning and Used Fuel Investment Funds

The Committee reviews and makes recommendations to the Board on:

- a) the appointment or replacement of the Chief Investment Officer;
- b) the appointment of the auditor for the OPG Pension Fund and the Used Fuel Segregated Fund and Decommissioning Segregated Fund;
- c) the broad objectives, governance frameworks and risk posture for the OPG Pension Fund and the Used Fuel Segregated Fund and Decommissioning Segregated Fund and annual status report on these Funds; and
- d) the tri-ennial valuation of the Pension Fund and annual valuation of the Supplementary Employee Retirement Pension Plans. (*The Committee provides advice to the Human Resources and Governance Committee on the affordability of proposed pension benefit changes.*)

The Committee reviews and approves:

- e) the appointment of the members of OPG's Pension Committee. In addition, the Committee may, at any time, remove or replace any member of the Pension Committee or fill a vacancy on the Pension Committee. The Pension Committee Chair may temporarily appoint a senior management employee to fill a vacancy on the Pension Committee until the next regularly scheduled Audit and Risk Committee meeting;
- f) the annual audited financial statements for the OPG Pension Fund, the Used Fuel Segregated Fund and the Decommissioning Segregated Fund;
- g) the investment policies and procedures, including the design of modifications, for the OPG Pension Fund, as required by the Pension Benefits Act (Ontario) and its regulations, and for the Decommissioning Segregated Funds, as required by the Ontario Nuclear Funds Agreement; and
- h) the appointment of the Pension Plan actuary.

In carrying out its responsibilities for the oversight of financial planning and investment funds, the Committee reviews:

- i) reports on a quarterly, annual or by exception basis, on compliance with and appropriateness of the asset mix policy; total fund and asset class returns relative to benchmarks; material compliance with breaches of policies or procedures; and work conducted by the plan actuary; and
- j) periodic reports on the calculation of OPG's nuclear waste liability.

7. OPG's Enterprise Risk Management

The Committee reviews and makes recommendations to the Board on:

- a) the appointment or replacement of the Chief Audit Executive; and
- b) the Company's enterprise risk policy, framework, overall risk appetite and targets, including risk appetite statements and tolerance limits defined by management (Enterprise Risk Committee). Approved risk appetite statements will set the tone for policies governing the appropriate risk areas.

In carrying out its responsibilities for oversight of OPG's Enterprise Risk Management, the Committee reviews:

- c) the processes employed by Management for identifying and assessing the Company's principal risks;
- d) periodic reports on Management's assessment of the principal risks to achieving the Company's strategic and business plan objectives, and the strategies for monitoring, managing and responding to those risks;
- e) periodic reports on significant emerging and evolving risks and relevant external events that could potentially impact OPG's risk profile;
- f) compliance metrics related to OPG's commercial operations trading, treasury, and fuels management;
- g) regular reports on OPG's cyber security position and programs; and
- h) periodic reports on OPG's Insurance Program.

8. Assessment of Committee Performance and Board Policies

In carrying out its responsibilities for assessment of Committee performance and Board policies, the Committee shall:

- a) review and assess Committee performance, including a review of the adequacy of and its compliance with this Charter, in accordance with the evaluation process approved by the Board and taking into account all legislative and regulatory requirements applicable to the Committee as well as any best practice guidelines recommended by regulators with whom OPG has a reporting relationship;

- b) provide oversight of the implementation of the following Board policies, and review these policies at least annually (or as otherwise noted below) to ensure their continuing adequacy:
 - i. Delegation and Exercise of Authority Policy;
 - ii. Disclosure Policy;
 - iii. Code of Business Conduct and Supplier Code of Conduct, including anti-bribery and corruption;
 - iv. Enterprise Risk Management Policy (*reviewed every three years*); and
 - v. Cyber Security Policy; and
- c) provide oversight of the development of any new policies deemed necessary by the Committee.

9. Oversight of OPG's Cyber Security Program

In carrying out its responsibilities for oversight of OPG's cyber security program, the Committee shall:

- a) review reports provided by Management's Cyber security Governance Committee on the overall status of OPG's cyber security program at least annually;
- b) oversee designation of members of the Cyber security Governance Committee, with appropriate expertise, that are accountable for implementing and managing an appropriate cyber security program that includes compliance with applicable regulatory standards, maintaining policies and procedures devoted to the management of cyber security risk and developing an incident response plan;
- c) confirm that sufficient resources are devoted to the management of cyber security risks;
- d) engage Management in discussions to identify OPG's most critical data assets, where they reside, how they can be accessed, and how often the systems are tested to ensure the data is adequately protected;
- e) discuss with Management whether specific cyber security insurance is required;
- f) encourage a culture where all employees understand cyber security as an enterprise-wide risk management issue and receive training on how to manage risk; and
- g) approve cyber risk appetite statements and risk tolerance targets recommended by the Cyber security Governance Committee.

Organization

Members

The Audit and Risk Committee shall consist of three or more Directors as determined by the Board of Directors. All members of the Committee shall be independent as defined by the Ontario Securities Commission, and not "affiliated" with OPG.

The Board shall appoint the members of the Committee and the Chair of the Committee annually. The Board may appoint a member to fill a vacancy which occurs in the Committee between annual

elections of Directors. Any member of the Committee may be removed or replaced at any time by the Board.

If a member of the Committee becomes “affiliated” with OPG, the member may continue as a member of the Committee with the approval of the Board Chair, in consultation with the Corporate Secretary.

As a venture issuer, OPG is exempt from the statutory requirements of National Instrument 52-110 requiring members of Audit Committees be independent and financially literate. However, OPG considers such independence and financial literacy to be “best practice” and therefore each of the members of the Audit and Risk Committee shall satisfy the applicable independence and financial literacy requirements of the laws and regulations governing Audit Committees.

The Board of Directors shall confirm that each member of the Audit and Risk Committee is financially literate; as such qualification is interpreted by the Board of Directors in its business judgment, and in compliance with National Instrument 52-110 and its Companion Policy.

Meetings

The Committee shall meet as frequently as it determines but not less than quarterly. During quarterly meetings, the Committee will hold separate in camera sessions with the external auditors, the Chief Audit Executive and Management to discuss any matters that the Committee believes should be discussed and to provide a forum for any relevant issues to be raised.

Notice of the time and place of each meeting of the Committee must be given to each member of the Committee not less than 48 hours before the time of the meeting.

A quorum of the Committee shall be a majority of its members, but not less than two. The powers of the Committee may be exercised at a meeting at which a quorum of the Committee is present in person or by telephone or other electronic means, or by a resolution signed by all members entitled to vote on that resolution at a meeting of the Committee. Each member is entitled to one vote in Committee proceedings.

The Chair shall preside at all meetings of the Committee at which he or she is present (or if not able to be present designate another member of the Committee to chair the meeting) and shall develop the agenda for each Committee meeting. The agenda for each meeting of the Committee shall be delivered to each member of the Committee at least 48 hours prior to any meeting of the Committee, together with such other materials as the Chair determines necessary.

Minutes shall be kept of all meetings of the Committee and shall be maintained by OPG's Corporate Secretary. The procedure at meetings is to be determined by the Committee unless otherwise determined by the by-laws of OPG, by a resolution of the Board or by this Charter.

The Committee may meet in camera (without management present) at any time during the meeting consistent with the Board guideline on the conduct of in camera sessions and the keeping of minutes from in camera sessions.

The Committee may invite any Director, officer or employee of OPG or OPG's counsel or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

Reports

The Committee will report its activities and actions to the Board of Directors with recommendations, as the Committee deems appropriate.

The Committee will provide for inclusion in OPG's financial information or regulatory filings any report from the Audit and Risk Committee required by applicable laws and regulations and stating among other things whether the Committee has:

- i. reviewed and discussed the audited financial statements with Management;
- ii. discussed pertinent matters with the internal and external auditors;
- iii. received disclosures from the external auditors regarding the auditors' independence and discussed with the auditors their independence; and
- iv. recommended to the Board of Directors that the audited financial statements be included in OPG's Annual Report.

Authority

The Audit and Risk Committee shall have the authority to:

- a) conduct or authorize investigations into any matters within the Committee's scope of responsibilities;
- b) set and pay the compensation for any advisors employed by the Committee; and
- c) communicate directly with the internal and external auditors.

While the Audit and Risk Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit and Risk Committee to plan or conduct audits or risk assessments, or to determine that OPG's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibility of Management and, as appropriate, the external auditor.

Delegation of Authority

The Committee may not delegate its oversight responsibilities. The Committee may delegate to a sub-committee, the Chief Executive Officer or any employee of OPG the authority to exercise any right, power or responsibility that the Committee may have on such terms and conditions and within such limits as the Committee deems appropriate provided that the sub-committee, Chief Executive Officer or employee subsequently advises the Committee of any right, power or responsibility so exercised.

Access to Management and Outside Advisors

The Audit and Risk Committee shall have unrestricted access to members of Management and relevant information.

The Audit and Risk Committee has the authority to retain legal counsel, accountants or other advisors to assist it in the conduct of any investigation, as it determines necessary to carry out its duties.

Effective: May 13, 2016

Revised: February 12, 2025

Last reviewed: November 12, 2024