

**CHARTER OF THE BOARD OF DIRECTORS  
OF  
ONTARIO POWER GENERATION INC.**

**GENERAL**

**1. PURPOSE AND RESPONSIBILITY OF THE BOARD**

By approving this Charter, the Board explicitly assumes responsibility for the stewardship of OPG and its business. This stewardship function includes responsibility for the matters set out in this Charter, which form part of the Board's statutory responsibility to manage or supervise the management of OPG's business and affairs (subject to any unanimous shareholder declaration or agreement).

**2. REVIEW OF CHARTER**

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate and shall make such changes as it considers necessary or appropriate.

**3. DEFINITIONS AND INTERPRETATION**

**3.1 Definitions**

In this Charter:

- (a) "OPG" means Ontario Power Generation;
- (b) "Board" means the board of directors of OPG;
- (c) "CEO" means OPG's chief executive officer;
- (d) "Chair" means the chair of the Board;
- (e) "Charter" means this charter, as amended from time to time;
- (f) "Committee" means any Committee of the Board of Directors;
- (g) "Director" means a member of the Board;
- (h) "Management" means a member of OPG's management;
- (i) "Shareholder" means the Province of Ontario;
- (j) "USA" means any unanimous shareholder declaration or agreement of OPG;
- (k) "OM&A" means Operations, Maintenance & Administration.

**3.2 Interpretation**

This Charter is subject to and shall be interpreted in a manner consistent with OPG's articles, by-laws, the *Business Corporations Act* (Ontario) (the "OBCA"), the *Ontario Securities Act*, any Unanimous Shareholder Agreement, and any other applicable legislation.

## CONSTITUTION OF THE BOARD

### 4. ELECTION AND REMOVAL OF DIRECTORS

#### 4.1 Number of Directors

The Board shall consist of such number of Directors as the Shareholder may determine from time to time, within the range set out in OPG's articles of amalgamation.

#### 4.2 Election of Directors

Directors are elected by the Shareholder for a term of one year, but incumbent Directors shall continue in office until their successors are elected.

#### 4.3 Vacancies

The Shareholder will fill a vacancy which occurs in the Board.

#### 4.4 Ceasing to Be a Director

A Director will cease to hold office upon:

- (i) delivering a resignation in writing to OPG's Corporate Secretary;
- (ii) being removed from office by the Shareholder;
- (iii) his or her death; or
- (iv) becoming disqualified from acting as a Director.

#### 4.5 Tender of Resignation Upon Change of Principal Occupation

A Director shall tender his or her resignation in writing to the Board Chair of OPG as soon as possible after that Director changes his or her Principal Occupation. The Board Chair will consider the merits of the change in occupation, and may seek input from others such as the Compensation, Leadership and Governance Committee Chair. The Board Chair will make a determination with respect to whether or not to accept the resignation and shall advise the Director of that determination in writing.

#### 4.6 Director Nominations, Duration of Tenure and Board Renewal

In order to balance the benefits of experience, individual director contributions and skill sets required by the company at different stages of its business with the need for fresh perspectives, healthy ongoing renewal and certainty in planning for Board succession, the OPG Board of Directors has adopted the following policy on tenure:

- Directors may serve on the Board for up to 10 years from the date that they were first appointed to the Board;
- In exceptional circumstances and if determined by the Compensation, Leadership and Governance Committee to be in the best interests of OPG, discretion may be exercised to extend a director's tenure for one further term.

Directors will serve with appropriate Committee / Committee Chair rotation.

The Compensation, Leadership and Governance Committee shall nominate directors to the Shareholder for appointment / election to the OPG Board.

Nominations of Directors by the Shareholder shall be reviewed by the Compensation, Leadership and Governance Committee.

Transitional Provision in respect of section 4.6: Directors who, as at May 17, 2018 have already served on the Board for 10 or more years from the date that they were first appointed to the Board may continue to serve on the Board until the expiry of their current term. This transitional provision shall expire upon the resignation from the Board by directors affected by it, and this provision shall then be deleted from the Board Charter.

## **5. CRITERIA FOR DIRECTORS**

### **5.1 Qualifications of Directors**

Every Director shall be an individual who is at least 18 years of age, has not been determined by a court to be of unsound mind and does not have the status of bankrupt.

### **5.2 Residency**

At least 25 per cent of the Directors shall be resident Canadians.

### **5.3 Independence of Directors**

- (a) At least one-third of the Directors shall not be officers or employees of OPG or any of its affiliates.
- (b) At least a majority of the Directors shall be independent.
- (c) A Director is independent if he or she has no direct or indirect material relationship with the Corporation. A material relationship is one which could, in the judgement of the Board, be reasonably expected to interfere with an individual's independent judgement, or one which precludes an individual from being considered independent under Canadian securities laws or stock exchange requirements.
- (d) No more than two OPG Directors may sit together on the Board of another reporting issuer at the same time.

When a Director is following the Standard Procedure in the Board Conflict of Interest Policy, notifying the Board Chair prior to accepting another appointment, the Director will include a statement confirming that he/she is in compliance with the OPG Board's policy on interlocking directorships.

### **5.4 Other Criteria**

The Board may establish other criteria for Directors, which shall be set forth in an amendment to or restatement of this Charter.

**6. BOARD CHAIR**

6.1 Chair

The Chair shall be an independent Director.

6.2 Chair's Term

An individual may serve as Chair for so long as the Shareholder may determine.

**7. REMUNERATION OF DIRECTORS AND RETAINING ADVISORS**

7.1 Remuneration

Members of the Board and the Chair shall receive such remuneration for their service on the Board as the Compensation, Leadership and Governance Committee determines from time to time.

7.2 Retaining and Compensating Advisors

Each Director shall have the authority to retain outside counsel and any other external advisors from time to time as appropriate with the approval of the Chair of the Compensation, Leadership and Governance Committee.

**MEETINGS OF THE BOARD**

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8.1 Time and Place of Meetings

Meetings of the Board shall be called and held in the manner and at the location contemplated in OPG's by-laws.

8.2 Frequency of Board Meetings

Subject to OPG's by-laws, the Board shall determine an annual meeting schedule.

8.3 Quorum

In order to transact business at a meeting of the Board at least a majority of Directors then in office shall be present.

8.4 Minutes of the Meeting

Minutes shall be kept for all Board and standing Committee meetings.

8.5 Right to Vote

Each member of the Board shall have the right to vote on matters that come before the Board.

8.6 Invitees

The Board may invite any of OPG's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

9. **IN CAMERA SESSIONS**

9.1 In Camera Sessions of Non-Management Directors

At each meeting of the Board, the non-management Directors shall meet without any member of Management being present (including any Director who is a member of Management) consistent with the Board guideline on the conduct of in camera sessions and the keeping of minutes from in camera sessions.

9.2 In Camera Sessions of Independent Directors

To the extent that non-management Directors include Directors who are not independent Directors as contemplated in this Charter, the independent Directors shall meet at each meeting of the Board with only independent Directors present consistent with the Board guideline on the conduct of in camera sessions and the keeping of minutes from in camera sessions.

**DELEGATION OF DUTIES AND RESPONSIBILITIES OF THE BOARD**

10. **DELEGATION AND RELIANCE**

10.1 Delegation to Committees

The Board may establish and delegate to Committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no Committee of the Board shall have the authority to make decisions which bind OPG, except to the extent that such authority has been specifically delegated to such Committee by the Board.

10.2 Requirement for Certain Committees

The Board shall establish and maintain the following Committees of the Board, each having such written Charter as the Board may consider appropriate:

- (a) Audit and Risk Committee;
- (b) Compensation, Leadership and Governance Committee;
- (c) Generation Oversight Committee; and
- (d) Darlington Refurbishment Committee.

### 10.3 Composition of Committees

The Board will appoint and maintain in office, members of each of its Committees such that the composition of each such Committee is in compliance with such recommendations of relevant securities regulatory authorities as the Board may consider appropriate and shall require the Compensation, Leadership and Governance Committee to make recommendations to it with respect to such matters.

### 10.4 Review of Charters

On an annual basis, the Board will review the recommendations of the Compensation, Leadership and Governance Committee with respect to the charters of each Committee of the Board. The Board will approve those changes to the charters that it determines are appropriate.

### 10.5 Delegation to Management

Subject to OPG's articles, by-laws, any USA, and the Board's Delegation and Exercise of Authority Policy, the Board may designate the officers of OPG, appoint offices, specify their duties and delegate to them powers to manage the business and affairs of OPG, except to the extent that such delegation is prohibited under the OBCA or limited by the articles or by-laws of OPG.

The Board delegates to the Corporate Secretary authority to make housekeeping and non-material changes to the this Charter, the charters for Board committees and Board Policies where those changes are a consequence of changes in executive titles, business unit names, board committee names, or consequential amendments as a result of Board approved changes to OPG governance. The Corporate Secretary shall report such changes to the next meeting of the Board and/or relevant committee.

### 10.6 Limitations on Management Authority

- (a) Management shall exercise its authority in accordance with the following documents approved by the Board:
  - (i) annual corporate strategic plan;
  - (ii) annual business plan (OM&A and capital expenditures).
  
- (b) Management shall only take the following actions with the prior approval of the Board:
  - (i) enter into projects with a total estimated value in excess of the CEO limit as stated in OPG's Organizational Authority Register, and otherwise comply with OPG's Organizational Authority Register;
  - (ii) borrowing, new debt issuance and project financing;
  - (iii) issuance of securities
  - (iv) submission of rate applications to the Ontario Energy Board;
  - (v) the establishment of wholly-owned subsidiaries via Board approval of the corporate strategic plan;

- (vi) entering into joint ventures;
- (vii) exemptions from OPG governance.

10.7 Reliance on Management

The Board is entitled to rely in good faith on the information and advice provided to it by OPG's Management.

10.8 Reliance on Others

The Board is entitled to rely in good faith on information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

10.9 Oversight

The Board retains responsibility for oversight of any matters delegated to any Committee of the Board or to Management.

**DUTIES AND RESPONSIBILITIES**

**11. DUTIES OF INDIVIDUAL DIRECTORS**

11.1 Fiduciary Duty and Duty of Care

In exercising his or her powers and discharging his or her responsibilities, a Director shall:

- (a) act honestly and in good faith with a view to the best interests of the corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

11.2 Compliance with OBCA and Constatng Documents

A Director shall comply with the OBCA and the regulations to the OBCA as well as with USA and OPG's articles and by-laws.

11.3 Compliance with OPG's Policies

A Director shall comply with all policies of OPG applicable to members of the Board as approved by the Board.

**12. RESPONSIBILITIES OF DIRECTORS**

12.1 Responsibilities Set Out in Charter

A Director shall review and participate in the work of the Board necessary in order for the Board to discharge the duties and responsibilities set out in accordance with the Charter.

12.2 Conflict of Interest

A Director's business or personal relationships may occasionally give rise to a material personal interest in a business matter or relationship that conflicts, or appears to conflict, with their duties as independent directors and or with the interests of OPG. A Director shall comply with the OPG Board of Directors Conflict of Interest Policy and Procedure, as approved by the Board.

12.3 Orientation and Education

A Director shall participate in the orientation and continuing education programs developed by the Compensation, Leadership and Governance Committee for the Directors.

12.4 Meeting Preparation and Attendance

In connection with each meeting of the Board and each meeting of a Committee of the Board of which the Director is a member, a Director shall:

- (a) review thoroughly the material provided to the Director by Management in connection with the meeting, provided that such review is practicable in view of the time at which such material was delivered to the Director.
- (b) attend each meeting in person to the extent practicable (unless the meeting is scheduled to be held by phone).

12.5 Assessment

A Director shall participate in such processes as may be established by the Board for assessing the Board, its Committees and individual Directors.

12.6 Other Responsibilities

A Director shall perform such other functions as may be delegated to that Director by the Board or any Committee of the Board from time to time.

**13. BOARD RESPONSIBILITY FOR SPECIFIC MATTERS**

13.1 Responsibility for Specific Matters

The Board explicitly assumes responsibility for the matters set out below, recognizing that these matters represent in part responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and do not limit the Board's overall stewardship responsibility or its responsibility to manage or supervise the Management of OPG's business and affairs, subject to any Unanimous Shareholder Agreements (USA).



13.2 Exceptions – Shareholder Declarations and Directives

The *Business Corporations Act* (Ontario) Section 108 (3) states that the Shareholder may issue directives or declarations by way of a Unanimous Shareholder Agreement. The 2015 Memorandum of Agreement with the Shareholder states that the Shareholder may at time direct OPG to undertake special initiatives which will be communicated as written declarations by way of a USA in accordance with Section 108 (3) of the OBCA.

13.2 Delegation to Committees

Whether or not specific reference is made to Committees of the Board in connection with any of the matters referred to below, the Board may direct any Committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

**14. PROTECTION OF DIRECTORS**

14.1 Indemnities

- (a) Directors shall have the benefit of an indemnity in OPG's by-law.
- (b) Directors shall have the benefit of such contractual indemnity from OPG as the Directors and OPG may agree.
- (c) Directors shall have the benefit of such directors' and officers' insurance as the Board may consider appropriate.
- (d) From time to time, when Directors are acting in response to a Unanimous Shareholder Agreement or declarations made under Section 108 of the *Ontario Business Corporations Act* Directors may request an indemnity from the Shareholder, or other suitable remedy.

**15. CORPORATE GOVERNANCE GENERALLY**

15.1 Governance Practices and Principles

The Board shall be responsible for developing OPG's approach to corporate governance.

15.2 Delegation to Compensation, Leadership and Governance Committee

The Board may direct the Compensation, Leadership and Governance Committee to consider the matters contemplated in this Section 15 and to report and make recommendations to the Board with respect to these matters.

**16. RESPONSIBILITIES RELATING TO MANAGEMENT**

16.1 Integrity of Management

The Board shall, to the extent feasible, satisfy itself:

- (a) as to the integrity of the CEO and other senior officers;

- (b) that the CEO and other senior officers create a culture of integrity throughout the organization.
- (c) that when meeting with employees, directors have an opportunity to emphasize the importance of integrity.

#### 16.2 Succession Planning

The Board shall be responsible for succession planning, including appointing, developing and monitoring President and CEO and senior executives.

#### 16.3 CEO and Executive Compensation

- (a) The Board shall receive recommendations from the Compensation, Leadership and Governance Committee and make such determinations it deems appropriate with respect to:
  - i) the CEO's compensation level;
  - ii) OPG's compensation philosophy statement; and
  - iii) company incentive compensation plans.

### **17. OVERSIGHT OF THE OPERATION OF THE BUSINESS**

#### 17.1 Risk Management

Taking into account the reports of Management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of OPG's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

#### 17.2 Strategic Planning Process

The Board shall adopt a strategic planning process and shall approve annually a corporate strategic plan which takes into account, among other things, the opportunities and risks of OPG's business.

#### 17.3 Internal Control and Management Information Systems

The Board shall review the reports of Management and the Audit and Risk Committee concerning the integrity of OPG's internal controls and Management information systems. Where appropriate, the Board shall require Management (overseen by the Audit and Risk Committee) to implement changes to such systems to ensure the integrity of such systems.

#### 17.4 Disclosure Policy

The Board shall review and, if determined appropriate, approve a Disclosure Policy for OPG for promoting consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information. The Board shall consider, among other things, the recommendations of Management and the Audit and Risk Committee with respect to this policy.

#### 17.5 Board Policies

The Board may establish and maintain Board policies that establish the parameters for management of the company, with consideration of legal and regulatory requirements, risk tolerance and OPG's strategies and objectives. The Board shall assign each policy to the appropriate Committee of the Board for oversight of implementation and an annual review of the policy.

The Board has established the following policies:

- Delegation and Exercise of Authority
- Disclosure
- Corporate Risk Management
- Environmental
- Indigenous Relations
- Safe Operations
- Nuclear Safety
- Employee Health and Safety
- Code of Business Conduct
- Board of Directors Conflict of Interest Policy and Procedure
- Cyber Security

#### 17.6 Financial Statements and Related Disclosures

- (a) The Board shall receive regular reports from the Audit and Risk Committee with respect to the integrity of OPG's financial reporting system and its compliance with all regulatory requirements relating to financial reporting.
- (b) The Board shall review the recommendation of the Audit and Risk Committee with respect to the annual financial statements and related disclosures of OPG to be delivered to Shareholder. If appropriate, the Board shall approve such financial statements and related disclosures.

#### 17.7 Capital Management

The Board shall receive regular reports from Management on the structure and Management of OPG's capital.

#### 17.8 Pension Plan Matters

The Board shall receive reports from Management and from the Audit and Risk Committee covering administration, funding, financial impact, actuarial reports and/or other OPG Pension Plan related matters as well as the performance of investment funds.

#### 17.9 Code of Business Conduct

The Board will review and approve as appropriate a Code of Business Conduct for OPG as recommended to it by the Audit and Risk Committee.

#### 17.10 Compliance and Disclosure

The Board will direct the Audit and Risk Committee to monitor compliance with the Code of Business Conduct and recommend disclosures with respect thereto. The Board will consider any report of the Audit and Risk Committee concerning these matters, and will approve, if determined appropriate, the disclosure of the Code of Business Conduct and of any waiver granted to a Director or senior officer of OPG from complying with the Code of Business Conduct.

#### 17.11 Related Entity Governance Framework

The Board may establish and maintain a governance framework for OPG's Related Entities being wholly-owned subsidiaries and joint ventures, including the approval of:

- i) The establishment of wholly-owned subsidiaries via Board approval of OPG's corporate strategic plan;
- ii) OPG entering joint ventures;
- iii) exemptions from OPG's governance.

### **18. NOMINATION OF DIRECTORS**

#### 18.1 Nomination and Appointment of Directors

- (a) The Board shall nominate individuals for election as Directors by the Shareholder and shall require the Compensation, Leadership and Governance Committee to make recommendations to it with respect to such nominations.
- (b) The Board shall adopt a process recommended to it by the Compensation, Leadership and Governance Committee pursuant to which the Board shall:
  - (i) consider what competencies and skills the Board, as a whole, should possess;
  - (ii) assess what competencies and skills each existing Director possesses; and
  - (iii) encourage diversity in the composition of the Board and identify Director candidates who have the requisite elements of integrity, diversity (which includes women, people with disabilities, aboriginal people and visible minorities) knowledge, skill, experience, and judgment. The OPG Board shall determine and disclose a target for diverse representation on the OPG Board and how it will implement that target.

### **19. BOARD EFFECTIVENESS**

#### 19.1 Position Descriptions

The Board shall review and, if determined appropriate, approve the recommendations of the Compensation, Leadership and Governance Committee concerning formal position descriptions for the Chair of the Board and for the Chair of each Committee of the Board.

19.2 Director Orientation and Continuing Education

The Board shall mandate the Compensation, Leadership and Governance Committee to determine and implement:

- (a) a comprehensive orientation program for new Directors; and
- (b) a continuing education program for all Directors.

19.3 Board, Committee and Director Assessments

The Board shall review and, if determined appropriate, adopt a process recommended by the Compensation, Leadership and Governance Committee for assessing the performance and effectiveness of the Board as a whole, the Committees of the Board and the contributions of individual Directors on an annual basis.

19.4 Annual Assessment of the Board

Each year, the Board shall assess its performance and effectiveness in accordance with the process established by the Compensation, Leadership and Governance Committee.

The Board through the Board Chair shall communicate a summary of the Board's performance assessment in writing to the Shareholder, as part of the Board's annual nomination of Directors for the annual Shareholder resolutions.

*Effective: May 21, 2010*

*Revised: May 17, 2018*

*Last Reviewed: May 17, 2018*