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TITLE **BOARD OF DIRECTORS CONFLICT OF INTEREST POLICY AND PROCEDURE REQUIREMENTS**

PURPOSE The purpose of this Conflict of Interest Policy is to affirm publicly the commitment of the members of the Board of Directors of Ontario Power Generation Inc. ("OPG") to carry out their duties in the best interests of OPG. The policy establishes standards and accountability for fulfilling that commitment.

It is extremely important that members ("Directors") of the board of directors of OPG (the "Board") not be, or even appear to be, in a circumstance where there is conflict between their personal or financial interests and their duties to act in the best interests of OPG. Given the public and transparent way in which OPG is committed to operate its business, diligently avoiding conflicts and the appearance of conflicts protects the reputation of OPG and the integrity of the decision-making involving the Board. It ensures that the affairs and business of OPG are conducted without interference, or the appearance of interference, from personal interests of the individuals involved in making decisions for OPG.

APPLICATION OF THIS POLICY: This Policy applies to all OPG Directors.

OPG is committed to being an ethical and credible company in its relationships with its employees, suppliers, customers and others. It conducts all business in accordance with the ethical principles of integrity, excellence, and citizenship as outlined in the OPG Code of Business Conduct.

DEFINITION OF CONFLICT A conflict of interest is a circumstance where a reasonable person would consider an OPG Director, or the Director's immediate family or financial and business associates, to have an interest that interferes with, or may interfere with, the Director's ability to act in good faith and in the best interests of OPG. It is a circumstance which may undermine OPG stakeholders' confidence in the Director's ability to fulfil her or his duties with OPG.

Conflicts of interest arise whenever the financial or personal interests of a Director are, or appear to be, inconsistent with the interests of OPG. An appearance of conflict of interest exists when it is reasonably likely that an observer may perceive a conflict of interest.

While the Ontario *Business Corporations Act* ("OBCA") also defines what a conflict of interest is, OPG respects the OBCA provisions as setting only a minimum threshold. Under the OBCA, a conflict of interest exists when a Director is a party to an existing or proposed interest in any material transaction or arrangement with OPG, or the Director has a material interest in a person (individual or corporate) who is a party to a material transaction or arrangement with OPG. However, as set out above, for OPG, many other circumstances may give rise to a conflict and are to be avoided. This Policy establishes much higher standards in order to ensure that OPG Directors exercise best practices when dealing with conflicts of interest.

Certain activities, on a first impression, give rise to a presumption that the interests of a Director and the interests of OPG are or may be in conflict. A listing of what is included in such activities is set out in Appendix A to this Policy.

PROCEDURE TO FOLLOW OPG's conflict of interest procedures with which Directors must comply incorporate best practice requirements and procedures. They go well beyond minimum statutory standards set out in the OBCA.

The Procedures with which Directors must comply include: (1) the completion of an Annual Director Questionnaire, (2) procedures on how Directors should conduct themselves at Board meetings in the circumstances of conflicts of interest, and (3) their obligations of Interim Disclosure to disclose any new actual or potential conflicts of interest once they become aware of them.

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More detail on the conflict of interest procedures with which Directors must comply is set out in Appendix A to this Policy.

FAILURE TO DISCLOSE CONFLICT

Each Director shall abide by the standards described in this policy and the attached procedure and has an obligation to ensure that enquiries are made if a Director knows or is concerned that a fellow Director is or may be involved in a conflict of interest.

If a Director has reasonable cause to believe that a fellow Director has failed to appreciate and disclose a conflict of interest, he or she shall inform the fellow Director. If the conflict of interest is not further disclosed, the Director will inform the Board Chair of this belief and the basis for such belief.

Upon being informed of the basis of a conflict of interest, the Board Chair shall conduct deliberations as to whether the Director has failed to disclose a conflict of interest and may take such measures as appropriate.

SPONSORING UNIT

Compensation, Leadership and Governance Committee Chair

APPROVAL: Board of Directors

Immediate

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APPENDIX A TO BOARD OF DIRECTORS CONFLICT OF INTEREST POLICY

Presumptions of Conflicts of Interest

Certain activities, on their face, give rise to a presumption that the interests of a Director and the interests of OPG are in conflict. A conflict of interest will be presumed to exist where a Director:

- (a) may receive, directly or indirectly, a personal benefit as a result of a decision of the Board;
- (b) carries on any business which unduly exploits any acquaintance with other Directors or employees or persons the Director becomes acquainted with through his or her position with OPG;
- (c) becomes a director, officer, or shareholder of a company which has a material agreement or contract with OPG, except where the director was appointed by OPG or where the Board has approved such activity in advance;
- (d) requests or accepts any benefit for performing functions or duties which are part of his or her duties to OPG, other than those benefits granted to the Director by the Board; or
- (e) engages in any other activity in which the actions of the Director are to the detriment of or are an embarrassment to OPG.

Procedures to Follow

Annual Disclosure

It is a requirement of the OPG Board that Directors complete an Annual Director Questionnaire ("Questionnaire"). The Questionnaire, among other things, asks Directors to disclose directorships and other material interests or relationships that are, or could be perceived to be, an actual or potential conflict of interest with their obligation as a director of OPG's Board, and the mitigating factors or actions that allow them to continue to exercise independent judgement.

The responses to the Questionnaire are reviewed by the Corporate Secretary against what is known about the business and affairs of OPG including the provisions of the OBCA, securities regulations, and OPG's vendor registry. The results of this review are submitted to the Compensation, Leadership and Governance Committee to confirm, among other things, that there are no conflicts; or if real or perceived conflicts are disclosed, to make additional inquiries as necessary and to confirm acceptance of the mitigating factors or actions. Final conclusions of the Compensation, Leadership and Governance Committee are reported back to Directors by the Chair of the Committee at the next occurring Board meeting and recorded in the minutes. The disclosures are retained by the Corporate Secretary in OPG's minute book for future reference, to determine when information on any material transactions or relationships disclosed by Directors is scheduled to come before the OPG Board and should be excluded from a Director's Board package.

Interim Disclosures

After submitting their Questionnaire, Directors have an obligation to disclose any **new** actual or potential conflicts of interest once they become aware of them.

This following supplementary procedure applies **only** if a Director's or OPG's situation changes, or a Director becomes aware of an actual or potential conflict, **after** delivering their Questionnaire disclosure, and if at all

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possible before accepting an appointment or becoming involved in a situation that may create an actual or potential conflict. This supplementary procedure is similar to the procedure employed by the Compensation, Leadership and Governance Committee with respect to the Questionnaire, with some discretion by the Board Chair to resolve actual or potential conflicts:

- i. *As soon as a Director's situation changes or he/she becomes aware of an actual or potential conflict of interest, the Director will disclose in writing (e-mail is acceptable) to the Board Chair, with copy to the Corporate Secretary, the facts of the actual or potential conflict of interest and, if applicable, the mitigating factors or actions that will allow them to continue to exercise independent judgement.*

[Note: If the Board Chair is not available, or if it is the Board Chair who has an actual or potential conflict of interest, disclosure will be made to the Chair of the Compensation, Leadership and Governance Committee and the references to Board Chair in the following paragraphs will mean the Chair of the Compensation, Leadership and Governance Committee.]

- ii. *The Board Chair may make an immediate determination regarding the Director's disclosure, or the Board Chair may confer with the Chair of the Compensation, Leadership and Governance Committee or seek additional advice if he/she believes it is necessary in order to be able to respond.*
- iii. *The Board Chair will respond in writing (email is acceptable) to the Director, with copy to the Corporate Secretary, regarding the actual or potential conflict, and mitigating factors or actions if any is required. OPG's Corporate Secretary will retain a copy of the Director's disclosure and Board Chair's response in OPG's minute book.*

At Board or Committee Meetings

1. Before a meeting of the Board or Board Committee, an agenda shall be circulated to each Director by the Corporate Secretary, with agenda items described in sufficient detail to allow members of the Board to identify possible conflicts of interest.
2. A member of the Board with a conflict of interest shall declare the conflict to the Chair of the meeting prior to the introduction of the agenda item. The disclosure must explain the fact that a conflict of interest exists, and the nature and extent of the interest.
3. At the beginning of each meeting, the Board Chair or Committee Chair will call for any "Declarations of Conflicts of Interest." Directors should reflect on their disclosures provided earlier in the year in their Questionnaire and on the materials that will be discussed at the Board or Committee meeting and disclose any real, potential or perceived conflicts of interest.
4. If a Director first becomes aware of an actual or potential conflict of interest only when at a Board or Committee meeting, the Director will disclose at the meeting the facts of the actual or potential conflict of interest and, if applicable, the mitigating factors or actions that will allow them to continue to exercise independent judgement. OPG's Corporate Secretary will enter it into the minutes of the Board or Committee meeting.
5. If disclosure is made at a Board or Committee meeting, the Board Chair or Committee Chair, respectively may make an immediate determination regarding the Director's disclosure and mitigating factors and

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actions which will be written into the minutes; or at his/her discretion, if it is appropriate, the meeting Chair may defer making a final determination until after the meeting and advise the Director accordingly (e-mail is acceptable). OPG's Corporate Secretary will retain a record of the meeting Chair's response in OPG's minute books.

6. With respect to Directors' conflicts of interest regarding an existing or proposed interest in any material transaction or arrangement with OPG, a Director must make such disclosure at the meeting at which a proposed contract or transaction is first considered. If the Director was not then interested in a proposed contract or transaction, disclosure must be made at the first meeting after he or she becomes so interested. If the Director becomes interested after a contract is made or a transaction is entered into, disclosure must be made at the first meeting after he or she becomes so interested. If a person who is interested in a contract or transaction later becomes a Director, disclosure must be made at the first meeting after he or she becomes a Director.
7. Directors must not attend any part of a meeting of the Board during which the contract or transaction is discussed and must not vote on a resolution to approve the contract or transaction. This prohibition against Directors is subject to the following three exceptions, that is, where the contract or transaction is:
 - one relating primarily to their remuneration as Directors of OPG or one of its affiliates;
 - one for Directors' indemnities or insurance; and
 - one with an affiliate of OPG.

Guidance Regarding Specific Types of Conflicts:

The following describes various situations that create or may create a conflict of interest, and describes the process that the Board has agreed should be followed in each circumstance. In this regard, references to OPG include OPG's subsidiaries, joint ventures and other related parties:

(a) Perception of Conflict

A perceived conflict of interest exists when it is reasonably likely that an observer may perceive a conflict of interest between a Director's personal or financial interests and his or her duty to act in the best interests of OPG.

Procedure to follow: Follow the Standard Procedure – Annual and Interim Disclosures

(b) Business Activity

A conflict of interest may arise if a Director engages in any other business activity, directly or indirectly, which affects the activities of OPG or which is in competition with OPG, and which may be construed as being in conflict with OPG's interests.

Procedure to follow: Follow the Standard Procedure – Interim Disclosures

(c) Appointments

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A conflict of interest may arise if a Director engages in, or accepts an appointment or election to office in, any organization or association engaged in, or expected to become engaged in, any activity which is, or is likely to be, in conflict with any activity of OPG, or involved as a supplier to or partner of any type with OPG.

Procedure to follow: Follow the Standard Procedure – Interim Disclosures prior to accepting the appointment. The Director will also include a statement confirming that he/she is in compliance with the OPG Board’s policy on interlocking directorships.

(d) Non-Profit and Professional Associations

From time to time, individual Directors may be in positions of leadership in non-profit associations where they may be viewed as a spokesperson for such groups. In such situations, the individuals should ensure that they are seen as speaking for their organization or as individuals, and not as a spokesperson or representative of OPG.

Procedure to follow:

- *Interim Disclosures - If a Director is concerned that he/she has been or may be perceived to have acted or be acting as a spokesperson or representative of OPG, the Director shall advise the Board Chair in writing (email is acceptable) and the Board Chair shall determine if any steps should be taken to respond to the situation. A record of the Board Chair’s conclusions shall be maintained in OPG’s minute book.*

(e) Vendors/Suppliers

It is a conflict of interest if a Director is a director, employee, lobbyist or consultant (including being on a retainer, although not presently active) of a vendor or supplier (a “bidder”) who is bidding to perform work or provide services to OPG if:

- a Director has more than a 10% financial interest in the subject bidder;
- a Director has an investment in the bidder representing more than 5% of the Director's financial worth; or
- a Director has an associate or a member of the Director's household who is a director or employee of the bidder.

Procedure to follow: Follow the Standard Procedure – Annual and Interim Disclosures

Additional Requirements:

- *A Director must refrain from voting on a resolution to approve the subject bidder and must be absent from the meeting during any discussion regarding the bidder (as per the OBCA).*
- *Where a Director was a director of the subject bidder, the foregoing requirements shall continue to apply for six months after the Director ceased to be a director of the subject bidder.*

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- *Directors who have acted as a lobbyist or consultant to, or have been on a retainer with, the subject bidder and do not expect to be engaged by the subject bidder, may participate in such discussions but shall refrain from voting for a three month period following termination of the consultancy relationship or the retainer.*

(f) Gifts, Hospitality, Bribes and Kickbacks

Accepting gifts and/or hospitality may compromise or appear to compromise a Director's ability to make fair, impartial and objective business decisions. However, on occasion, it may be acceptable to give or receive a business-related gift or hospitality when there is a business benefit to OPG. **It is a violation of OPG's Code of Conduct to ever offer, ask for, give or receive any form of bribe or kickback.**

Procedure to follow:

- *Directors shall consult with the Board Chair or the Chair of the Audit and Risk Committee for advice if they are unsure about the appropriateness of accepting or offering gifts and/or hospitality.*

(g) Conflict of Reputation

Directors shall not engage in any activity or accept any appointment which is or may be perceived to impact or conflict with OPG's reputation.

Procedure to follow:

- *If a Director has engaged, or is considering engaging, in an activity or accepting an appointment that might impact or conflict with OPG's reputation, he/she shall advise the Board Chair and mutually agree upon an appropriate course of action.*

2. Board Packages

Based on disclosures made by Directors pursuant to this Policy and in the Questionnaire, the Corporate Secretary or the Board Chair may make the determination not to provide certain information to any particular Director on the basis that such Director may have an interest in the matter with respect to which the information pertains.

The Director shall be advised by the Board Chair or the Corporate Secretary that certain information has been withheld and the reason that such information has been withheld.

3. Situations Not Specifically Addressed/Anticipated in this Policy

This Policy does not contemplate all situations or circumstances that may from time to time arise. Directors are expected to use their best judgment to ensure that they deal with potential and actual conflicts of interest appropriately. If a Director is not certain if a situation requires disclosure under this Policy, the Director should seek clarification from the Board Chair or the Chair of the Compensation, Leadership and Governance Committee.

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Procedure to follow:

Issues or questions arising in connection with this Policy should be raised with the Board Chair or the Chair of the Compensation, Leadership and Governance Committee. A record of their conclusions will be maintained in OPG's minute book. If the Board Chair thinks it appropriate, he/she shall also advise the Board of the situation and the conclusion at the next meeting of the Board.