

Effective: February 28, 2008

Policy Statement

Ontario Power Generation Inc. ("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. The OPG Code of Business Conduct applies to OPG's employees but does not govern the conduct of the members ("Directors") of the board of directors of OPG (the "Board"). Certain conflict of interest rules apply to Directors under the provisions of the Ontario *Business Corporations Act* (the "OBCA"). This Policy has been adopted by the Board in order to ensure that Directors exercise best practices when dealing with conflicts of interest.

This Policy summarizes the OBCA conflict of interest requirements in Part One below, and sets out additional best practice requirements in Part Two below. The summary in Part One is for convenience only. Reference should be made to the OBCA for more information about the statutory requirements.

**Part One:
OBCA
Requirements**

The OBCA sets out conflict of interest procedures with which Directors must comply. The Board considers these to be minimum standards only which are to be complied with in addition to the requirements of Part Two of this Policy.

The OBCA is specifically concerned with conflicts of interest where a Director:

- Is a party to a material contract or transaction or a proposed material contract or transaction with OPG;
- Is a director or officer of, or has a material interest in, any person who is a party to a material contract or transaction or a proposed material contract or transaction with OPG.

These requirements apply regardless of whether the material contract or transaction or proposed material contract or transaction require approval by the Board.

Directors in such circumstances must disclose in writing to the corporation or must request to have entered into the minutes of a meeting of the Board the nature and extent of the Director's interest.

Under the OBCA, 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, 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, at the first meeting after he or she becomes so interested; or*
- *if a person who is interested in a contract or transaction later becomes a Director, at the first meeting after he or she becomes a Director.*

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.*

**Part Two:
Additional
Best Practice
Requirements**

1. 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.

Definitions:

“Material Interest or Relationship”: A material interest or relationship is an interest or relationship which could be reasonably expected to interfere with the exercise of a director’s independent and impartial judgment, recommendation or assessment of facts in any given circumstance.

“OPG”: All references to OPG include OPG’s subsidiaries and other related parties:

(a) Perception of Conflict

A perceived conflict of interest may arise if a Director, or a member of his/her immediate family or household, has a Material Interest or Relationship with a supplier or competitor of OPG, or another organization, that *may, or may appear to, compromise the Director’s independence or ability to provide an impartial or objective decision or recommendation or assessment of facts in any circumstance that relates to OPG.*

It is also a conflict of interest if a Director misuses information obtained in the course of acting as a Director of OPG.

For a conflict to be perceived, it must be visible and the Director must be aware. Just doing business with OPG is not in itself a conflict of interest for a Director - unless the volume of business with OPG or the interest or relationship is personally material to the Director or material to the company on whose Board he/she serves on. Similarly, it is not required of Directors to do exhaustive research on all contracts or relationships of a company whose Board they serve on.

Best practices with respect to managing real or perceived conflicts of interest involve the three principles of awareness, written disclosure and mitigation - in order to protect the reality and the perception that a Director can continue to exercise independent and impartial judgement. As soon as a Director is aware of an actual or potential conflict of interest, he/she should disclose the facts of the situation and the mitigating factors or actions they believe will allow them to continue to exercise independent judgement and impartiality.

(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.

(c) Appointments

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.

(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.

(e) Vendors/Suppliers

It is a conflict of interest if a Director is a director, employee, lobbyist, 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.

(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 inappropriate to ever offer, ask for, give or receive any form of bribe or kickback.**

(g) Actions that Embarrass OPG

Directors shall not engage in any activity or accept any appointment which is or may be perceived to be an embarrassment to OPG.

2. Board Packages

Based on disclosures made by Directors pursuant to this Policy and in the annual Director Questionnaire, management 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 management 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 Governance and Nominating Committee.

4. Responsibility

Each Director shall abide by the standards described in this Policy, and other applicable policies, guidelines or legislation; and ensure enquiries are made if a Director knows or suspects that another Director is or may be involved in a situation that creates an actual or potential conflict of interest.

Sponsor: Governance and
Nominating Committee Chair

Approval: Board of Directors
Date: February 28, 2008