

**INNERGEX RENEWABLE ENERGY INC.**

**INNERGEX**

Renewable Energy.  
Sustainable Development.

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**AND**

**MANAGEMENT INFORMATION CIRCULAR –  
SOLICITATION OF PROXIES**

**March 30, 2012**

## INNERGEX RENEWABLE ENERGY INC.

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting (the "**Meeting**") of the shareholders of Innergex Renewable Energy Inc. (the "**Corporation**") will be held on May 14, 2012 at 4:00 p.m. at the Hotel Omni Mont-Royal, Salon Printemps, 1050 Sherbrooke Street West, Montréal, Province of Québec, for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2011, together with the report of the auditors thereon;
2. To elect directors for the ensuing year;
3. To appoint the auditors of the Corporation for the ensuing year and authorize the directors of the Corporation to fix their remuneration; and
4. To transact such other business that may properly come before the Meeting or any adjournment thereof.

March 30, 2012 has been chosen as the record date for determining those shareholders of the Corporation entitled to receive notice of and to vote at the Meeting. The accompanying management information circular (the "**Circular**") provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

In order to ensure representation at the Meeting, registered shareholders must complete the enclosed form of proxy and submit it as soon as possible but not later than 5:00 p.m. (Montréal time) on May 10, 2012 or 48 hours prior to the time of any adjournment or postponement of the Meeting (or such earlier time as required by your nominee) as set out in the accompanying Circular.

Non-registered shareholders or shareholders that hold their shares in the name of a "nominee", such as a bank, trust company, securities broker or other financial institution, must seek instructions from their nominee as to how to complete their form of proxy and vote their shares. Non-registered shareholders will have received the accompanying Circular in a mailing from their nominee, together with the appropriate form of proxy or voting instruction form. It is important that non-registered shareholders adhere to the voting instructions provided to them by their nominee.

*Les actionnaires qui préfèrent recevoir la présente circulaire d'information de la direction en français n'ont qu'à en aviser le secrétaire corporatif de la société.*

Dated at Longueuil, Québec, this 30<sup>th</sup> day of March, 2012.

By order of the Board of Directors  
INNERGEX RENEWABLE ENERGY INC.

(s) Nathalie Thériège

Nathalie Thériège  
Corporate Secretary

## INNERGEX RENEWABLE ENERGY INC.

### MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Circular**”) is provided in connection with the solicitation of proxies to be used at the annual meeting of shareholders of Innergex Renewable Energy Inc. (the “**Corporation**”) to be held on May 14, 2012 at 4:00 p.m. at the Hotel Omni Mont-Royal, Salon Printemps, 1050 Sherbrooke Street West, Montréal, Province of Québec, or at any adjournment thereof (the “**Meeting**”) for the purposes set forth in the Corporation’s notice of Meeting (the “**Notice of Meeting**”).

**The enclosed proxy is being solicited by the management of the Corporation.** The solicitation is being made primarily by mail, but proxies may also be solicited by telephone, by facsimile, by the internet, by advertisement or by other personal contact by directors, officers and other employees of the Corporation. The entire cost of the solicitation will be borne by the Corporation.

Unless otherwise indicated, the information contained in this Circular is given as at March 30, 2012.

### VOTING BY REGISTERED SHAREHOLDERS

In order to ensure representation at the Meeting, registered shareholders of the Corporation must complete, date and sign the enclosed form of proxy, or other appropriate form of proxy and, in either case, (i) deliver the completed proxy to the Corporation’s transfer agent, Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1 in the addressed prepaid envelope enclosed; or (ii) submit the completed proxy to Computershare Investor Services Inc., facsimile number (416) 263-9524 or 1-866-249-7775, by no later than 5:00 p.m. (Montréal time) on May 10, 2012 or 48 hours prior to the time of any adjournment or postponement of the Meeting as set out in the accompanying Circular.

### VOTING BY NON-REGISTERED SHAREHOLDERS

Only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of common shares of the Corporation (the “**Common Shares**”) can be recognized and acted upon at the Meeting. If Common Shares are listed in your account statement provided by your broker, then, in almost all cases, those Common Shares will not be registered in your name on the records of the Corporation. Such Common Shares will likely be registered under the name of your broker or an agent of your broker (each, an “**Intermediary**”). In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms.

Non-registered shareholders will receive either voting instruction forms or, less frequently, forms of proxy. The purpose of these forms is to permit such shareholders to direct the voting of the Common Shares they beneficially own. A summary of the general procedure to be followed by non-registered shareholders is set out below. This summary is subject to the specific instructions that non-registered shareholders receive on the forms they receive from Intermediaries.

In most cases, a non-registered shareholder will receive, as part of the materials for the Meeting, a voting instruction form. If the non-registered shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the voting instruction form must be completed in accordance with the directions on the form. If a non-registered shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder’s behalf), the non-registered shareholder must complete the voting instruction form in accordance with the directions provided, and a proxy, giving the right to attend and vote, will be forwarded to the non-registered shareholder.

Less frequently, a non-registered shareholder will receive, as part of the materials for the Meeting, forms of proxy that have already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of

Common Shares beneficially owned by the non-registered shareholder but which is otherwise uncompleted. If the non-registered shareholder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the non-registered shareholder must complete a proxy using one of the methods described therein. If a non-registered shareholder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the non-registered shareholder must strike out the names of the persons named in the proxy and insert the non-registered shareholder's (or such other person's) name in the blank space provided and return the proxy in accordance with the instructions provided by the Intermediary.

In accordance with the requirements of Regulation 54-101 *Respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (Québec), the Corporation has caused to be distributed the Notice of Meeting and this Circular to CDS and the Intermediaries for onward distribution to non-registered shareholders. Intermediaries are required to forward such materials to non-registered shareholders unless a non-registered shareholder has waived the right to receive them. Usually, Intermediaries will use service companies to forward such materials to non-registered shareholders.

**Non-registered shareholders should follow the instructions on the forms they receive from their Intermediaries and contact their Intermediaries promptly if they need assistance.**

### **APPOINTMENT OF AUTHORIZED REPRESENTATIVE BY PROXY**

The persons named in the accompanying form of proxy are officers of the Corporation. **Each shareholder has the right to appoint a person, other than a person designated in the accompanying form of proxy or voting instruction form, who need not be a shareholder of the Corporation, to attend and act on behalf of the shareholder at the Meeting. To exercise this right, a shareholder may either insert such other person's name in the blank space provided in the accompanying form of proxy or voting instruction form and strike out the names of the nominees indicated therein or complete another proper form of proxy.**

### **REVOCAION OF PROXIES**

**A shareholder of the Corporation may revoke an instrument of proxy at any time prior to the exercise thereof.** If a shareholder who has given a proxy personally attends the Meeting at which such proxy is to be voted, such shareholder may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing, and deposited either (i) at the offices of the Corporation to the attention of the Corporate Secretary, at 1111 St-Charles Street West, East Tower, Suite 1255, Longueuil, Province of Québec, J4K 5G4, or (ii) at the offices of Computershare Investor Services Inc. at the location specified above at any time up to and including 24 hours, excluding Saturdays, Sundays and Holidays, preceding the day of the Meeting or any adjournment thereof, or (iii) with the consent of the Chairman of such Meeting, on the day of the Meeting or any adjournment thereof.

### **EXERCISE OF VOTING RIGHTS BY PROXIES**

The persons named in the enclosed form of proxy or voting instruction form will vote the Common Shares in respect of which they are appointed as proxy in accordance with the instructions given by the shareholder thereon. **In the absence of such instructions, Common Shares will be voted IN FAVOUR of the matters identified in this notice.**

The enclosed form of proxy or voting instruction form confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to any other matter which may properly come before the Meeting. As at the date of this Circular, the Corporation is not aware of any amendments, variations or other matters proposed or likely to come before the Meeting, except those that are indicated in the Notice of Meeting. If any matters which are not known as of the date hereof should properly come at the Meeting, the persons named in the accompanying form of proxy or voting instruction form will vote on such matters in accordance with their best judgment.

## VOTING OF SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series. There are currently 81,282,460 Common Shares issued and outstanding. Each Common Share entitles the holder thereof to vote at any meeting of shareholders. All holders of Common Shares of record at the close of business on March 30, 2012 will be entitled to receive notice of the Meeting and to vote at the Meeting.

The authorized share capital of the Corporation also consists of: the Cumulative Rate Reset Preferred Shares, Series A (the “**Series A Shares**”) and the Cumulative Floating Rate Preferred Shares, Series B (the “**Series B Shares**”). There are currently 3,400,000 Series A Shares issued and outstanding. No Series B Shares are currently issued and outstanding. The holders of Series A Shares are not, as such, entitled to receive notice of or vote at the Meeting.

Unless otherwise indicated, the matters submitted to vote at the Meeting must be approved by a majority of votes of the holders of Common Shares attending the Meeting in person or by proxy.

To the knowledge of the directors and executive officers of the Corporation, on March 30, 2012, no person or entity beneficially owned or controlled or directed, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all Common Shares, other than the following person:

PERSON	APPROXIMATE NUMBER OF COMMON SHARES BENEFICIALLY OWNED OR CONTROLLED OR DIRECTED	APPROXIMATE PERCENTAGE OF ISSUED AND OUTSTANDING COMMON SHARES BENEFICIALLY OWNED OR CONTROLLED OR DIRECTED
Goodman & Company, Investment Counsel Ltd.	15,154,474	18.64%

## MATTERS TO BE ACTED UPON AT THE MEETING

As of the date hereof, to the knowledge of the directors of the Corporation, the only matters to be dealt with at the Meeting are the following:

1. To receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2011 (“**Fiscal 2011**”), together with the report of the auditors thereon;
2. To elect directors for the ensuing year;
3. To appoint the auditors of the Corporation for the ensuing year and authorize the directors of the Corporation to fix their remuneration; and
4. To transact such other business that may properly come before the Meeting.

## PRESENTATION OF FINANCIAL STATEMENTS

The Corporation’s audited consolidated financial statements for Fiscal 2011, together with the report of the auditors thereon will be placed before the Meeting. The annual audited consolidated financial statements of the Corporation are available on SEDAR at [www.sedar.com](http://www.sedar.com). No vote with respect thereto is required nor will be taken.

## ELECTION OF DIRECTORS

Pursuant to the Articles of the Corporation, the business of the Corporation is managed by a board of directors (the “**Board**”) composed of a minimum of three and a maximum of ten directors.

The Corporation was acquired by way of a reverse take over by Innergex Power Income Fund (the “**Fund**”) on March 29, 2010 (the “**Effective Date**”) pursuant to a Plan of Arrangement approved by the shareholders of the Corporation and by the unitholders of the Fund on March 24, 2010 and by Final Order of the Superior Court of Québec on March 26, 2010 (the “**Arrangement**”).

The Board is presently composed of eight directors, consisting of Jean La Couture (Chairman of the Board), John A. Hanna, Lise Lachapelle, Richard Laflamme, Daniel L. Lafrance, William A. Lambert, Michel Letellier and Susan M. Smith. Michel Letellier, as the President and Chief Executive Officer of the Corporation, is the only non-independent director on the Board.

Susan M. Smith has advised the Corporation that she does not intend to stand for re-election as a director of the Corporation at the Meeting. Management of the Corporation recommends that the Board be composed of the remaining seven directors of the Corporation for the coming year, namely, John A. Hanna, Jean La Couture, Lise Lachapelle, Richard Laflamme, Daniel L. Lafrance, William A. Lambert and Michel Letellier.

**Except where the authority to vote in favour of the directors is withheld, the persons whose names are printed on the form of proxy intend to vote IN FAVOUR of the election of each of the seven proposed nominees whose names are set forth below under the heading “Nominees” as directors of the Corporation.**

Management of the Corporation has no reason to believe that any of such nominees will be unable or unwilling to serve as a director but if either of those circumstances should occur prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion, unless the shareholder has specified in the form of proxy that his or her Common Shares are to be withheld from voting on the election of directors. Each director elected will hold office until the next annual meeting or until the election of his successor unless he or she resigns or his or her office is earlier vacated in accordance with applicable law.

### **Majority Voting Policy**

The Board has adopted a policy providing that, in an election of directors, any nominee who receives a greater number of votes withheld than votes in favour of his/her election must tender his/her resignation to the Board immediately following the shareholders’ meeting. Under this policy, the Board 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. 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. This policy does not apply in circumstances involving contested director elections.

### **Nominees**

The following table sets forth the names of all persons proposed to be nominated for election as directors (the “**Nominees**”), their place of residence, their principal occupation(s) for the preceding five years, their other directorships, the date on which they became directors of the Corporation, their age, the Board committees of the Corporation on which they serve and the number of voting securities of the Corporation beneficially owned, or over which control or direction is exercised, directly or indirectly, by each of them, as at March 30, 2012.

<b>JOHN A. HANNA<sup>(1)(2)</sup></b>	<b>Independent</b>
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
John A. Hanna, residing in Toronto, Ontario, Canada, has acted as a corporate director as his principal occupation since November 2005. From 2003 until July 2005, he was Chief Executive Officer of Rexel Canada Electrical Inc. Graduated from Loyola University (now Concordia University) in 1967 with a bachelor's degree of commerce (accounting), John A. Hanna is also a Fellow of the Certified General Accountants Association (1990). He currently acts as a director of Uni-Sélect Inc., a reporting issuer and, since April 2009, as a member of the independent audit committee of Transport Canada and Infrastructure Canada.	
<b>Chair and Committee Membership:</b>	Chair of the Audit Committee
<b>Director since:</b>	June 2003
<b>Age:</b>	69
<b>Common Shares beneficially owned or controlled or directed:</b>	53,800
<b>Percentage of Common Shares:</b>	0.066%

<b>LISE LACHAPELLE<sup>(1)</sup></b>	<b>Independent</b>
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
Lise Lachapelle, residing in Île-des-Soeurs, Québec, Canada, has acted as a corporate director and consultant as her principal occupation since January 2002. She was President of the Canadian Pulp and Paper Association from 1994 to 2002 and now acts as advisor to corporations and governments on strategic and economic issues. She graduated in 1971 with a bachelor's degree in business administration from Université de Montréal (HEC Montréal). Lise Lachapelle currently acts as a director of Russel Metals Inc. and Industrial-Alliance, Insurance and Financial Services Inc., which are both reporting issuers.	
<b>Chair and Committee Membership:</b>	Chair of the Corporate Governance Committee
<b>Director since:</b>	June 2003
<b>Age:</b>	62
<b>Common Shares beneficially owned or controlled or directed:</b>	10,220
<b>Percentage of Common Shares:</b>	0.013%

<b>JEAN LA COUTURE<sup>(1)(3)</sup>, Chairman of the Board of Directors</b>	<b>Independent</b>
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
Jean La Couture, residing in Montréal, Québec Canada, is President of Huis Clos Ltée, a management and mediation firm. He is also President of the "Regroupement des assureurs de personnes à charte du Québec", a Québec association of life insurers, and President of the Institute of Corporate Directors, Québec Chapter. Jean La Couture currently serves on the Board of Directors of several other private and public companies. He is Chairman of the Board of Groupe Pomerleau and Maestro (real estate). He is also Chairman of the Audit Committee of Quebecor Inc. and Jevco Insurance Company, a principal affiliate of The Westaim Corporation (which are reporting issuers, except Jevco Insurance Company).	
<b>Chair and Committee Membership:</b>	Chairman of the Board of Directors Chair of the Nominating Committee Ad hoc Member of the Corporate Governance Committee Member of the Human Resources Committee Member of the Audit Committee
<b>Director since:</b>	June 2003
<b>Age:</b>	65
<b>Common Shares beneficially owned or controlled or directed:</b>	15,140
<b>Percentage of Common Shares:</b>	0.019%

<b>RICHARD LAFLAMME<sup>(1)</sup></b>	<b>Independent</b>
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
Richard Laflamme, residing in L'Ancienne-Lorette, Québec, Canada, is General Manager of the Université du Québec Pension Fund since April 2004. He was a director of Innergex Inc. from 1997 until 2003 and was Chairman of the Board of Directors of Innergex GP Inc. from 1997 to 1999. Richard Laflamme held various positions with the Fédération des Caisses Desjardins du Québec from 1984 to 2004. He graduated in business and accounting from Université Laval (1983) and graduated from the Canadian Securities Institute (IDA 1988). Richard Laflamme currently sits on the board of various non-profit organizations. He has been an independent member of the retirement committees of the policemen and policewomen as well as of the manual workers of Québec City since 2008.	
<b>Chair and Committee Membership:</b>	Chair of the Human Resources Committee Member of the Corporate Governance Committee Member of the Nominating Committee
<b>Director since:</b>	June 2003
<b>Age:</b>	55
<b>Common Shares beneficially owned or controlled or directed:</b>	10,080
<b>Percentage of Common Shares:</b>	0.012%

<b>DANIEL L. LAFRANCE<sup>(1)</sup></b>	<b>Independent</b>
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
Daniel L. Lafrance, residing in Kirkland, Québec, Canada, is Senior Vice-President Finance and Procurement, Chief Financial Officer and Secretary of Lantic Inc., wholly owned by Rogers Sugar Inc. Holding a bachelor's degree in business (1976) and a specialty in accounting (1977) from the University of Ottawa, Daniel L. Lafrance has also been a member of the Canadian Institute of Chartered Accountants since 1980. He currently acts as a director of the Canadian Sugar Institute.	
<b>Chair and Committee Membership:</b>	Member of the Audit Committee. Member of the Human Resources Committee
<b>Director since:</b>	June 2003
<b>Age:</b>	57
<b>Common Shares beneficially owned or controlled or directed:</b>	22,100
<b>Percentage of Common Shares:</b>	0.027%

<b>WILLIAM A. LAMBERT</b>	<b>Independent</b>
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
William A. Lambert, residing in Toronto, Ontario, Canada, has acted as a corporate director as his principal occupation since December 2009. He was a partner of Birch Hill Equity Partners from August 2005 to December 2009 and was an officer of TD Capital Group Limited from 1987 to January 2006. William A. Lambert received an MBA from York University and a Bachelor's of Science in Electrical Engineering from the Massachusetts Institute of Technology. He currently acts as a director of Ag Growth International Inc. and Biox Corporation, both of which are reporting issuers.	
<b>Chair and Committee Membership:</b>	Member of the Corporate Governance Committee Member of the Nominating Committee
<b>Director since:</b>	October 2007
<b>Age:</b>	60
<b>Common Shares beneficially owned or controlled or directed:</b>	153,300
<b>Percentage of Common Shares:</b>	0.189%



MICHEL LETELLIER	Non-Independent
<b>Residence, Principal Occupation &amp; Other Directorships</b>	
Michel Letellier, residing in Candiac, Québec, Canada, has been the President and Chief Executive Officer of the Corporation since October 25, 2007. He acted as Executive Vice President and Chief Financial Officer of the Corporation from 2003 until his appointment as President of the Corporation. From 1997 to 2003, Michel Letellier was Vice President and Chief Financial Officer of Innergex GP Inc. and was responsible for the financial management of the affairs of Innergex GP Inc., Innergex, Limited Partnership and Innergex Power Income Fund. Michel Letellier holds a MBA from Université de Sherbrooke as well as a bachelor's degree in commerce (finance) from Université du Québec à Montréal.	
<b>Chair and Committee Membership:</b>	N/A
<b>Director since:</b>	October 2002
<b>Age:</b>	47
<b>Common Shares beneficially owned or controlled or directed:</b>	606,808
<b>Percentage of Common Shares:</b>	0.746%

- (1) John A. Hanna, Lise Lachapelle, Jean La Couture, Richard Laflamme and Daniel L. Lafrance were appointed directors of the Corporation on March 29, 2010 upon completion of the Arrangement. Prior to the Arrangement, they had all been trustees of the Fund since 2003.
- (2) John A. Hanna also holds 4,000 Series A Shares, representing 0.118% of the total number of Series A Shares issued and outstanding.
- (3) Jean La Couture also indirectly holds \$200,000 principal amount of convertible debentures of the Corporation (the "**Convertible Debentures**"). The Convertible Debentures are convertible at the holder's option into Common Shares at a conversion price of \$10.65 per Common Share, being a ratio of approximately 93.8967 Common Shares per \$1,000 principal amount of Convertible Debentures.

### Policy regarding minimum shareholding by Directors

The Board adopted a Policy Regarding Minimum Shareholding by Directors on June 1, 2010 whereby the non-management directors of the Corporation are required to acquire, over a three-year period, a number of Common Shares having an investment value equal to at least three times the initial annual base retainer for directors of the Corporation in force when they joined the Board and shall maintain such participation as long as they remain directors of the Corporation. The investment in Common Shares is valued under the policy at the greater of (i) the closing price of the Common Shares at the end of the preceding fiscal year or (ii) their acquisition cost at the time they were acquired (which acquisition cost is deemed to be \$8.32 for all shares acquired in the context of the Arrangement and \$11.00 for the shares acquired on or prior to the initial public offering of the Corporation). The three-year period began on March 29, 2010 for the current directors and, for any future director, will begin at the date of his/her election.

### Bankruptcy, Insolvency and Cease-Trade Order

As a director of Quebecor Inc., the controlling shareholder of Quebecor World Inc., Jean La Couture was asked to join the board of directors of Quebecor World Inc. on December 10, 2007. On January 21, 2008, Quebecor World Inc. filed for protection under the *Companies Creditors Arrangement Act* in Canada and Chapter 11 of the U.S. *Bankruptcy Code*. Jean La Couture resigned as Director of Quebecor World Inc. on December 16, 2008.

Lise Lachapelle was a director of AbitibiBowater Inc. from 2007 to December 2010. In April 2009, AbitibiBowater Inc., together with certain of its U.S. and Canadian subsidiaries, filed voluntary petitions in the United States *Bankruptcy Court* for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the United States *Bankruptcy Code*, as amended, and certain of its Canadian subsidiaries sought creditor protection under the *Companies' Creditors Arrangement Act* with the Superior Court of Québec in Canada. AbitibiBowater Inc. has completed its reorganization and has emerged from creditor protection under the *Companies' Creditors Protection Act* in Canada and Chapter 11 of US *Bankruptcy Code*, and was relieved of Bankruptcy protection in December 2010.

To the knowledge of the Corporation and with the exception of the foregoing, none of the Nominees (a) is, as of the date of this Circular, nor has been within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of a corporation that (i) was subject to a cease trade order, an order similar to a cease trade order or an order which denied a company access to any exemption under securities legislation which was in effect for a period of more than 30 consecutive days that was issued while the nominee was acting in the capacity of director, chief executive officer or chief financial officer, or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order which denied a

company access to any exemption under securities legislation that was issued after the Nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity of director, chief executive officer or chief financial officer, (b) is, as of the date of this Circular, nor has been within ten years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) has, within ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Nominee.

## Record of Attendance

The following table sets forth the record of attendance of the directors of the Corporation for meetings of the Board and, where applicable, for meetings of the Audit Committee, the Corporate Governance Committee, the Human Resources Committee, the Nominating Committee and the Ad Hoc Committee<sup>(1)</sup> for Fiscal 2011.

DIRECTOR	NUMBER OF BOARD MEETINGS ATTENDED	NUMBER OF AUDIT COMMITTEE MEETINGS ATTENDED	NUMBER OF CORPORATE GOVERNANCE COMMITTEE MEETINGS ATTENDED	NUMBER OF HUMAN RESOURCES COMMITTEE MEETINGS ATTENDED	NUMBER OF NOMINATING COMMITTEE MEETINGS ATTENDED	NUMBER OF Ad Hoc COMMITTEE <sup>(1)</sup> MEETINGS ATTENDED
PIERRE BRODEUR <sup>(2)</sup>	4/5	3/4	–	2/3	–	–
JOHN A. HANNA	10/10	7/7	–	–	–	–
JEAN LA COUTURE	10/10	7/7	2/2	8/8	1/1	–
LISE LACHAPELLE	9/10	–	2/2	–	–	2/2
RICHARD LAFLAMME	9/10	–	2/2	8/8	1/1	–
DANIEL L. LAFRANCE	10/10	7/7	–	5/5 <sup>(3)</sup>	–	2/2
WILLIAM A. LAMBERT	9/10	–	2/2	–	1/1	2/2
MICHEL LETELLIER	10/10	–	–	–	–	–
SUSAN M. SMITH	9/10	–	2/2	–	1/1	–

(1) On May 10, 2011, the Board created a temporary committee of the Board, the Ad Hoc Committee, to review and make recommendations, if any, to the Board on health & safety and environmental risk management and reporting process and the acquisition decision-making matrix process. The mandate of the Ad Hoc Committee was completed in October 2011.

(2) Pierre Brodeur ceased being a director of the Corporation effective May 10, 2011.

(3) Daniel L. Lafrance joined the Human Resources Committee on May 10, 2011.

## COMPENSATION OF DIRECTORS

The following table provides a summary of the compensation earned by the directors of the Corporation (other than Michel Letellier who also acted as officer of the Corporation in Fiscal 2011 and who did not receive any compensation for his services as director) for services received in such capacity during Fiscal 2011.

NAME	FEES EARNED (\$)	SHARE-BASED AWARDS (\$)	OPTION-BASED AWARDS (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)	PENSION VALUE (\$)	ALL OTHER COMPENSATION (\$)	TOTAL (\$)
PIERRE BRODEUR <sup>(1)</sup>	33,500	–	–	–	–	–	33,500
JOHN A. HANNA	69,750	–	–	–	–	–	69,750
JEAN LA COUTURE	70,000	–	–	–	–	–	70,000
LISE LACHAPPELLE	61,500	–	–	–	–	–	61,500
RICHARD LAFLAMME	66,000	–	–	–	–	–	66,000
DANIEL L. LAFRANCE	71,500	–	–	–	–	–	71,500
WILLIAM A. LAMBERT	57,250	–	–	–	–	–	57,250
SUSAN M. SMITH	52,250	–	–	–	–	–	52,250

(1) Pierre Brodeur ceased being a member of the Board effective May 10, 2011.

In Fiscal 2011, directors (other than Michel Letellier) were paid a base compensation and were paid for attendance at the Corporation's Board meetings in accordance with the amounts set out below. Michel Letellier, as a director of the Corporation, who was also officer of the Corporation, was not entitled to remuneration for his services to the Corporation as a director. All directors were reimbursed for out-of-pocket expenses incurred in connection with their duties as directors. The Corporate Governance Committee conducts an annual review of all aspects of director compensation to ensure compensation reflects the time and effort expended and remains appropriate within the market. The Board determines director compensation based on the recommendations of the Corporate Governance Committee. The Board has reviewed the fees payable to directors and committee members for the financial year commencing January 1, 2012 to, among other things, adjust them to match the fees payable to boards of similar companies.

COMPENSATION	FISCAL 2011		FISCAL 2012	
	AMOUNT	TOTAL PAID	AMOUNT	TOTAL PAYABLE
Directors' base compensation	\$35,000 per year	\$227,500	\$37,500 per year	\$206,250
Chairman of Board	\$70,000 <sup>(1)</sup>	\$70,000	\$100,000 <sup>(1)</sup> per year	\$100,000
Chair of Committee (other than Audit, Nominating and Ad Hoc committees)	\$5,000 per year	\$10,000	\$5,000 per year	\$15,000
Chair of Audit Committee	\$10,000 per year	\$10,000	\$15,000 per year	\$15,000
Committee Members - Audit	–	–	\$5,000 per year	\$5,000
Committee Members - Other	–	–	\$2,500 per year	\$10,000
Ad Hoc Committee Chair and members	\$5,000 for mandate	\$15,000	–	–
Attendance at Meetings (other than Ad Hoc Committee)				
- in person	\$1,500 per meeting	\$149,250	\$2,000 per meeting	Determined according to number of meetings
- by conference call	\$750 per meeting (if less than 1 hour); \$1,500 per meeting (otherwise)		\$1,000 per meeting (if less than 1 hour); \$2,000 per meeting (otherwise)	

(1) All inclusive, no attendance fees or other chair functions are paid to the Chairman of the Board.

## APPOINTMENT OF AUDITORS OF THE CORPORATION

Samson Bélair/Deloitte & Touche s.e.n.c.r.l., have been acting as auditors of the Corporation since 2004.

The persons named in the accompanying form of proxy intend to vote **IN FAVOUR** of the resolution appointing **Samson Bélair/Deloitte & Touche s.e.n.c.r.l., Chartered Accountants**, as auditors of the Corporation to hold office until the next annual meeting of shareholders or until their successors are appointed, and authorizing the Board to fix their remuneration, unless the shareholder who has given the proxy has directed that the Common Shares represented thereby be withheld from voting in respect of the appointment of auditors.

## COMPENSATION OF NAMED EXECUTIVE OFFICERS

### SUMMARY.

The following table presents information regarding the compensation earned in Fiscal 2009, 2010 and 2011 by the President and Chief Executive Officer of the Corporation, the Chief Financial Officer and Senior Vice President of the Corporation and the other three most highly compensated executive officers of the Corporation as of December 31, 2011 (the "Named Executive Officers").

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	SHARE-BASED AWARDS (\$)	OPTION-BASED AWARDS (\$) <sup>(1)</sup>	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$)		PENSION VALUE (\$)	ALL OTHER <sup>(3/4)</sup> COMPENSATION (\$)	TOTAL COMPENSATION (\$)
					ANNUAL INCENTIVE PLANS <sup>(2)</sup>	LONG-TERM INCENTIVE PLANS			
MICHEL LETELLIER President and Chief Executive Officer	2011	319,920	–	102,648	255,934	–	–	11,775	690,277
	2010	290,229	–	237,472	288,488	–	–	11,000	827,189
	2009	266,700	–	–	117,348	–	–	10,500	394,548
JEAN PERRON Chief Financial Officer and Senior Vice President	2011	200,687	–	61,750	98,337	–	–	9,863	370,637
	2010	191,703	–	142,483	119,455	–	–	9,585	463,226
	2009	185,220	–	–	59,270	–	–	9,261	253,751
JEAN TRUDEL Chief Investment Officer and Senior Vice President – Communications	2011	186,142	–	61,750	107,962	–	–	9,064	364,918
	2010	176,174	–	142,483	112,861	–	–	8,809	440,327
	2009	170,216	–	–	61,278	–	–	8,511	240,005
FRANÇOIS HÉBERT Senior Vice President – Operations and Maintenance	2011	172,250	–	52,000	91,293	–	–	8,432	323,975
	2010	163,882	–	118,736	86,755	–	–	8,194	377,567
	2009	158,340	–	–	52,252	–	–	7,917	218,509
PETER GROVER Senior Vice President – Project Management	2011	176,573	–	52,000	66,168	–	–	8,722	303,463
	2010	169,533	–	118,736	37,838	–	–	8,477	334,584
	2009	163,800	–	–	17,838	–	–	8,190	189,828

- (1) All stock option values are based on the Black-Scholes model for valuation purposes, which establishes a value of \$1.50 per option granted during Fiscal 2010 and \$0.65 per option granted during Fiscal 2011. The Black-Scholes valuation methodology is used to value stock options because it is the predominant methodology in the marketplace. Stock options were granted on November 18, 2011 at an exercise price of \$9.88 per Common Share.
- (2) Amounts are paid in cash in the fiscal year following the fiscal year in which they were earned. Annual Incentive Plan amounts disclosed herein relate to bonuses earned in Fiscal 2011 and paid in the 2012 fiscal year. See "Performance Bonus" below.
- (3) The Corporation has made contributions to the registered retirement saving plan ("RRSP") of, and on behalf of, each of the Named Executive Officers. The Corporation matches the employee's contribution to his RRSP up to an amount of 5% of his salary, subject to a maximum of 50% of the maximum RRSP contribution limit under the *Income Tax Act*.
- (4) The value of perquisites awarded to each Named Executive Officer in Fiscal 2011 was less than \$50,000 or 10% of their respective salaries.

## Compensation Governance

The Human Resources Committee is responsible for overseeing the Corporation's compensation program on a global basis and making recommendations to the Board on executive compensation and compensation plan matters. In addition, the committee oversees the human resources organizational structure efficiency, the risks related to compensation as well as succession planning for the President and Chief Executive Officer and all other executive officers of the Corporation. The responsibilities, power and operation of the Human Resources Committee are further described in the Charter of the Human Resources Committee of the Corporation reproduced in Schedule A to this Circular.

The members of the Human Resources Committee are Richard Laflamme (Chair), Jean La Couture and Daniel L. Lafrance, all of whom are independent directors within the meaning of Section 1.4 of *Regulation 52-110 Respecting Audit Committees* under the *Securities Act* (Québec). Each committee member has skills and experience that are relevant to his responsibilities in compensation, talent management, organisational development, leadership, governance and risk management gained by being a director, a current or former senior officer with oversight of compensation decision-making processes, human resources functions or pension plan management and by participating in related education programs.

In 2011, the Human Resources Committee's work included, among other things:

- Setting performance objectives for the Corporation and the President and Chief Executive Officer and evaluating his performance;
- Reviewing, adjusting and redesigning the Corporation's executive compensation program, including base remuneration, short-term and long-term incentives and all other advantages;
- Reviewing the Corporation's succession planning for the President and Chief Executive Officer and the executive officers including discussions of development plans.

## Independent Advisors

To assist the Human Resources Committee in reviewing, adjusting and redesigning the Corporation's executive compensation program, the committee retained the services of Mercer Canada Limited in August 2011, an independent compensation consultant based in Montréal, Québec, Canada (the "**Compensation Consultant**"), who reported solely to the Chair of the Human Resources Committee.

The mandate of the Compensation Consultant was to perform an executive compensation analysis of the officers of the Corporation, perform a quantitative benchmark with respect to the overall compensation of the officers of the Corporation including base salary, short-term incentive (bonus), long-term incentive program and all other incentives, make recommendations to the Human Resources Committee and design a long-term incentive program (the "**Mandate**").

Other services of the Compensation Consultant may be provided to the Corporation without the prior approval of the Human Resources Committee.

The following table outlines the fees paid to the Compensation Consultant for services provided during financial years 2010 and 2011.

ADVISOR	EXECUTIVE COMPENSATION-RELATED FEES (\$)		ALL OTHER FEES <sup>(1)</sup> (\$)	
	2011	2010	2011	2010
Mercer Canada Ltd.	58,387	—	6,088	—

(1) The fees included in this category relate to services provided in the drafting and implementation of a Performance Shares Plan (defined below under Executive Compensation Practices).

## Comparison Group

The comparison group used by the Compensation Consultant to perform the Mandate is composed of the 20 publicly-traded corporations or funds listed below, taking into account the location, the industry, the capitalization, the earnings before interest, taxes, depreciation and amortization and the total assets of the Corporation.

COMPARISON GROUP		
Algonquin Power & Utilities Corp.	Capstone Infrastructure Corp.	Richelieu Hardware Ltd.
Atlantic Power Corp.	Churchill Corporation	Lantic Inc.
Atrium Innovations Inc.	Genivar Inc.	TransForce Inc.
Bird Construction Company Ltd.	Just Energy Group Inc.	Uni-Select Inc.
Borex Inc.	Lassonde Industries Inc.	Valener Inc.
Brookfield Renewable Power Fund	Maxim Power Corp.	Veresen Inc.
Capital Power Income LP	Northland Power Inc.	

## Executive Compensation Practices

Through its executive compensation practices, the Corporation seeks to provide value to its shareholders through a strong executive leadership. Specifically, the Corporation's executive compensation structure seeks to attract and retain talented and experienced executives necessary to achieve the Corporation's strategic objectives, motivate and reward executives whose knowledge, skills and performance are critical to the Corporation's success, align the interests of the Corporation's executives and shareholders by motivating executives to increase shareholder value and preserve a stable dividend while building for the future.

In the context of the overall objectives of the Corporation's compensation practices in the beginning of Fiscal 2011, the Board decided to grant a 3% base salary increase to all its executive officers and to review the whole executive compensation practices of the Corporation to ensure that the compensation granted to its executive officers is aligned with its overall executive compensation objectives. In summary, the analysis of the Compensation Consultant showed that the overall compensation of the President and Chief Executive Officer of the Corporation was generally 23% below the median of the comparison group for Fiscal 2011 while the other officers of the Corporation were below the median by 1% to 27%. The following changes were therefore recommended by the Human Resources Committee to, and approved by, the Board of directors:

- Implement, as of November 1, 2011, base salary increases for the executive officers to position them at median of the comparison group for positions involving similar responsibilities; and
- Adopt a mixed long-term incentive program composed of the existing Stock Option Plan of the Corporation (the "**Stock Option Plan**") with annual grant recommendations by the Human Resources Committee and a non-dilutive Performance Shares Plan to grant performance shares rights on an annual basis, each with a three-year vesting period and conditional upon the employee being in the employ of the Corporation at the time of vesting and realizing pre-determined financial objectives based on total shareholder return (the "**Performance Shares Plan**"). The Performance Shares Plan was implemented effective as of January 1, 2012.

The current compensation of the Corporation's executive officers has been established with a view to attracting and retaining executives critical to the Corporation's short and long-term success and to provide executives with compensation that is in accordance with existing market standards, generally, and competitive, in particular. It is designed to motivate and reward the executive officers for their performance during the fiscal year and over the long term and for taking appropriate risks toward achieving the long-term financial and strategic growth objectives of the Corporation while creating long term shareholder value.

Compensation of the Corporation's executive officers for Fiscal 2011 was comprised of a base salary, contributions to RRSPs, annual performance bonuses and the grant of options to purchase Common Shares under the Stock Option Plan.

## Base Salary

The Corporation's approach is to pay its executives a base salary that is competitive with those of other executive officers in comparable companies in the renewable energy industry or comparable industries, taking into account the capitalization, the location, the earnings before interest, taxes, depreciation and amortization (the "EBITDA") and the total assets under management, such as those listed in the Comparison Group. The Corporation believes that a competitive base salary is a necessary element of any compensation program that is designed to attract and retain talented and experienced executives. The Corporation also believes that attractive base salaries can motivate and reward executives for their overall performance.

In the beginning of Fiscal 2011, the Human Resources Committee recommended and the Board authorized an increase to the base salary of the President and Chief Executive Officer of the Corporation from \$300,000 to \$309,000 representing an increase of 3% over the previous financial year. The base salaries of the other executive officers of the Corporation were also increased by 3% over the previous financial year effective as of January 1, 2011.

Those base salaries reflected the initial base salaries that the Corporation negotiated with them, with annual salary increases granted since then. The Named Executive Officers entered into employment agreements with the Corporation which were negotiated and executed on December 6, 2007. The base salaries that the Corporation negotiated with its executives were based on its understanding of base salaries for comparable positions at similarly situated companies at the time, the individual experience and skills of, and expected contribution from, each executive, the roles and responsibilities of the executive, the base salaries of the Corporation's existing executives and other factors. These employment agreements and their terms and conditions were recommended by the Executive Chairman of the Board at the time and approved by the Human Resources Committee. The termination and change of control benefits provided under the employment agreements of the Named Executive Officers are summarized under "Employment Agreements" below.

Further to the analysis and recommendations of the Compensation Consultant, described above under Executive Compensation Practices, the Human Resources Committee recommended and the Board approved, effective as of November 1, 2011, the following adjustments to the base salaries of the Named Executive Officers, in order to position the Named Executive Officers at the median of the Comparison Group for positions having similar responsibilities: Michel Letellier, President and Chief Executive Officer, \$309,000 to \$375,000; Jean Perron, Chief Financial Officer and Senior Vice President, from \$197,000 to \$217,500; Jean Trudel, Chief Investment Officer and Senior Vice President – Communications, from \$181,000 to \$210,000; François Hébert, Senior Vice President – Operations and Maintenance, from \$169,000 to \$187,500; and Peter Grover, Senior Vice President – Project Management, from \$175,000 to \$190,000.

The base salary of each executive is reviewed annually and may be adjusted in accordance with certain criteria including, without limitation, (i) past salary, (ii) changes in the compensation for comparable companies with which the Corporation competes for executive talent and (iii) changes in the duties and responsibilities. The President and Chief Executive Officer typically suggests adjustments to the Human Resources Committee which analyses the suggestions based on the Corporation's approach to executive compensation and makes recommendations to the Board.

## Performance Bonus

The executive officers of the Corporation have an opportunity to earn an annual bonus based on individual performance in the context of the overall performance of the Corporation. Individual target bonuses, which were established by the Human Resources Committee and approved by the Board, will typically vary between 14% and 120% of the base salary of executive officers. For Fiscal 2011, the Human Resources Committee recommended, and the Board authorized, a performance bonus to executive officers based on the following 2011 Corporate Objectives:

2011 CORPORATE OBJECTIVES	WEIGHTING
• Adjusted distribution payout ratio	50% for all Named Executive Officers
• Growth, balance portfolio with technology and stage of development	10% for president and CEO, variable for other Named Executive Officers
• Integrate acquisitions and optimize organizational structure	16% for president and CEO, variable for other Named Executive Officers
• Maintain credit ratings from Standard & Poor and DBRS	8% for president and CEO, variable for other Named Executive Officers
• Implement the strategic plan	8% for president and CEO, variable for other Named Executive Officers
• Personal objectives	8% for all Named Executive Officers

As reflected in the break-down provided above, bonuses are primarily based upon the performance of the Named Executive Officers for their involvement in the successful achievement by the Corporation of its goals for the year. The primary objective of the Corporation's bonus payments is to motivate and reward its Named Executive Officers for meeting the Corporation's short-term objectives using a performance-based compensation program. The Corporation does not believe that it is possible to specifically quantify every important aspect of executive performance in a predetermined objective goal. For example, the integration of an acquisition may become an important objective of the executive team of the Corporation only once an acquisition is completed. Such events may occur after the Corporation has established the executives' performance goals for the year and require its executives to focus their attention on different or other strategic objectives.

In Fiscal 2011, the Corporation achieved its short-term corporate objectives, as follows:

- **The Adjusted Distribution Payout Ratio**

The Adjusted Distribution Payout Ratio is not a recognized measure under International Financial Reporting Standards ("IFRS") and therefore may not be comparable with those presented by other issuers. It is calculated as the dividends declared on Common Shares over the following:

Net income, before income taxes; plus unrealized loss or minus unrealized gain on derivative financial instruments, depreciation, amortization and transaction costs,

- Adjusted by
- principal reimbursements of project financing long-term debt
  - current income tax
  - maintenance capital expenditures
  - minority interests related to previous elements
  - preferred dividends
  - other special elements the Human Resources Committee, in conjunction with the Audit Committee, may exclude from or include in the calculation



- **Growth / Balanced Portfolio both by Technologies and Stage of Development**

In Fiscal 2011, the Corporation achieved, among other things, the following:

- completed the Acquisition of Cloudworks Energy Inc. (“**Cloudworks**”), owning a 50.01% indirect interest in six run-of river facilities with a total gross capacity of 150 MW, full ownership of 76 MW of run-of-river hydroelectric projects under development and prospective projects of over 800 MW;
- completed the acquisition of Solaris Energy Partners Inc., owning a solar project under construction of 33.2 MW<sub>DC</sub>;
- achieved commercial operation date of two wind projects: Montagne-Sèche (58.5 MW) and Gros-Morne 1 (100.5 MW);
- began the construction of the Kwoiek Creek (49.9 MW) and Northwest Stave River (17.5 MW) Projects;

The table below shows the Corporation’s 2011 growth and enhancement of the diversity by source of energy and by stage of development.

<b>GROWTH / BALANCE PORTFOLIO BY TECHNOLOGIES AND STAGE OF DEVELOPMENT</b>				
	<b>PICTURE AS OF DECEMBER 31, 2011</b>		<b>PICTURE AS OF DECEMBER 31, 2010</b>	
<b>1. Total Assets</b>	\$2,010 million		\$947 million	
<b>2. Business Segments</b>	Number	Aggregate net capacity	Number	Aggregate net capacity
Hydro Operating facilities	20	279.1MW	14	204.1MW
Wind Operating facilities	5	181.1MW	3	121.4MW
Hydro Development Projects	7	175.9MW	4	100.3MW
Wind Development Projects	2	54.5MW	3	102.6MW
Solar Development Project	1	33.2 MW	-	-
Prospective Projects	Over 65	2,843.9MW	Over 35	2,036.1MW

- **Integration of Acquisitions and Optimization of the Organizational Structure**

Further to the Cloudworks acquisition, the organizational structure of the Corporation was redesigned to integrate former Cloudworks employees, taking into account the strengths of both teams to build an even stronger one. The Corporation’s former Vancouver team was relocated to the offices of Cloudworks. All group benefits of former Cloudworks employees were aligned and integrated as of August 1, 2011 and all accounting, logistic, payroll, information system, servers and communication tools were successfully integrated.

- **Maintain Investment-Grade Credit Ratings from S&P and DBRS**

Credit ratings are intended to provide investors with independent measures of credit quality of an issue of securities or the overall financial capacity of the Corporation to pay its financial obligations (for more details regarding the ratings, see the March 21, 2012 Annual Information Form of the Corporation filed on SEDAR at [www.sedar.com](http://www.sedar.com) or posted on the Corporation’s website at [www.innergex.com](http://www.innergex.com)). In Fiscal 2011, the ratings of the Corporation and of the outstanding Series A preferred shares were maintained with success. The challenges to reach this objective resided in the ability of the Executive Officers to align the growth of the Corporation with a balanced capital and debt structure. In that regard, in Fiscal 2011, the Corporation’s achievements were as follows:

- raising \$166M through the offering of subscription receipts converted into common shares at the time of closing of the acquisition of Cloudworks Energy Inc.;
- refinancing and increasing of the revolving credit facility of the Corporation to \$350 million;
- completion of the \$32 million non-recourse project financing of the Montagne-Sèche Project; and
- completion of the \$117 million non-recourse project financing of the Stardale Solar Farm Project.

- **Implement Strategic Plan**

In Fiscal 2011, the work performed to implement the Strategic Plan of the Corporation included, among other things:

- develop and implement a monthly reporting dashboard on construction projects status;
- increase Canadian market presence, as further described above under Growth / Balanced Portfolio both by Technologies and Stage of Development;
- maintain adequate balance between prospective activities, projects with power purchase agreements, projects under construction and diversity by geographic location, source of energy and stage of development;
- systemize and reinforce the reporting process in respect of health and safety and environment;
- structure the organization of human resources to support growth of the Corporation;
- develop and implement an acquisition opportunities assessment and decision making processes matrix.

- **Personal Objectives**

At the beginning of each year, each Named Executive Officer meets with the President and Chief Executive Officer to set his individual objectives, specific for his or her sector for the year, while the President and Chief Executive Officer meets with the Human Resources Committee for his own objectives. Such objectives include qualitative and quantitative elements necessary to be accomplished during the current year to reach the short and long-term objectives of the Corporation.

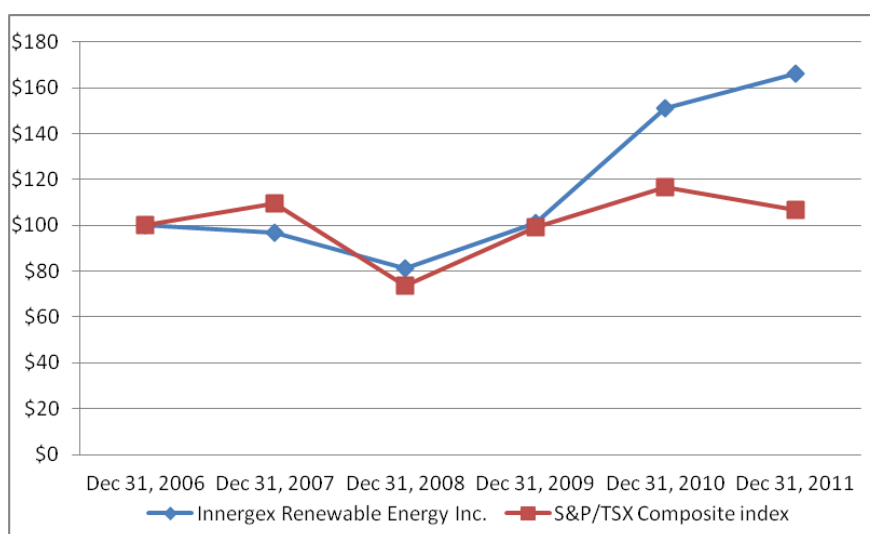
### Stock Option Plan

The Corporation's granting of options to purchase Common Shares to its executive officers is a method of compensation which is used to attract and retain personnel and to provide an incentive to participate in the long-term development of the Corporation and to increase shareholder value. The relative emphasis of options for remunerating executive officers and employees was generally varying depending on the prevailing practices in competing companies and on the number of options to purchase Common Shares that are outstanding at the time. In 2007, the Corporation's executives were granted a total of 1,410,000 stock options in connection with the initial public offering of the Corporation. These options have an exercise price of \$11.00 which corresponds to the offering price of the Common Shares during the Corporation's initial public offering. On June 23, 2010, the Board awarded 808,024 options to executive officers. These options have an exercise price of \$8.75 which corresponds to the market price of the Common Shares calculated as the volume weighted average trading price of the shares on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding June 23, 2010. These options were granted based on the following factors: the executive's past performance, anticipated future contribution, prior option grants to such executive, the percentage of outstanding equity owned by the executive, the level of vested and unvested options, competitive market practices and the executive's responsibilities and performance. In November 2011, the Board awarded 835,420 stock options to executive officers. These options have an exercise price of \$9.88 which corresponds to the market price of the Common Shares calculated as the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding November 18, 2011. These options were granted to the officers of the Corporation considering the growth of the Corporation, the implementation of its strategic planning, the numerous projects in development and in construction as well as all other long-term achievements of Fiscal 2011. The Corporation has not set specific target levels for options to Named Executive Officers. However, it seeks to be competitive with similar companies while taking into consideration that the Corporation has implemented, as of January 1, 2012, a non-dilutive Performance Shares Plan which is expected to have an impact on the number of options to be granted

in the future; grants under both plans will be considered together as the Long-Term Incentive Compensation Program of the Corporation. Additional option grants will be recommended on a yearly basis by the Human Resources Committee to the Board, which ultimately has the responsibility to award options. For further details as to the specific terms of the Stock Option Plan, see “Incentive Plan Awards - Stock Option Plan”, below.

## Performance Graph

The following graph shows, as at December 31, 2011, the cumulative total shareholder’s return for the Corporation (based on a \$100 investment as at December 31, 2006 taking into account retroactively the conversion rate of 1.46 applied upon the Arrangement), compared with the S&P/TSX Composite Total Return Index (the “Index”) for such period.



Cumulative Total Return / Financial Year ended						
	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Innergex Renewable Energy Inc.	\$ 100,00	\$ 96,66	\$ 81,47	\$ 101,22	\$ 150,99	\$ 166,13
Annual variation		-3,3%	-15,7%	24,2%	49,2%	10,0%
S&P/TSX Composite Total Return Index	\$ 100,00	\$ 109,83	\$ 73,58	\$ 99,38	\$ 116,87	\$ 106,69
Annual variation		9,8%	-33,0%	35,1%	17,6%	-8,7%

The trend set forth in the Performance Graph of the Corporation for the shareholders’ return represents a small decline in 2007, followed by a greater decline in 2008, when market conditions declined generally, followed by an increase in 2009, corresponding with an improvement in market conditions. The increase continued in 2010 with a gain of 31.6% over the Index and continued increasing in 2011 with a 10% gain while the Index decreased by 8.7%. During 2011, the aggregate compensation paid to the Named Executive Officers decreased by approximately 16% below the previous year compared to an increase of 10% in the shareholders’ return between December 31, 2010 and December 31, 2011 and a gain of 18.7% over the Index in 2011. The performance bonuses awarded to the Named Executive Officers in Fiscal 2011 represent on average 59% of their salary compared to 65% in 2010.

## Employment Agreements

Each of the Named Executive Officers entered into an employment agreement with the Corporation (the “**Employment Agreements**”) at the time of the Corporation’s initial public offering which was completed on December 6, 2007. Each Employment Agreement has an indeterminate term.

The Employment Agreements of the President and Chief Executive Officer, the Chief Financial Officer and Senior Vice President and the Chief Investment Officer and Senior Vice President – Communications contain change of control arrangements. The overall purpose of these change of control arrangements is to (i) ensure the continued dedication of the executive, notwithstanding the possibility, threat or occurrence of a change of control of the Corporation; (ii) diminish any

distraction of the executive resulting from the uncertainties and risks created by a pending or threatened change of control of the Corporation; and (iii) provide the executive with compensation and benefit arrangements upon a change of control of the Corporation that are competitive with those of comparable companies.

### Termination and change of control benefits

If the Corporation terminates the employment of a Named Executive Officer without cause or one of the President and Chief Executive Officers, Chief Financial Officer and Senior Vice President or the Chief investment Officer and Senior Vice President - Communications terminates his employment for good and sufficient reason (as defined hereafter), the Employment Agreements provide that the Corporation must continue to pay the individual his base salary for a period of 12 to 36 months following termination and any vested and unvested options held by the Named Executive Officer must be exercised within 90 days of the termination of employment. Good and sufficient reason includes (a) if he is not appointed or reappointed as an executive officer of the Corporation, (b) if the Corporation ceases its activities in the normal course of business, (c) if the Corporation modifies significantly the functions and responsibilities of the executive officer, (d) if the Corporation reduces or fails to pay base salary or other benefits of the executive officer or (e) the employment conditions are modified in a bankruptcy or insolvency context. From the date of such termination, the Corporation is discharged from paying any group insurance premiums, contributions to RRSPs and car allowances for the Named Executive Officer. In addition, if the Corporation terminates the employment of the President and Chief Executive Officer, Chief Financial Officer and Senior Vice President or the Chief investment Officer and Senior Vice President - Communications for any reason, other than for cause, within one year following a change of control of the Corporation or if one of them terminates his employment for any reason within one year following a change of control of the Corporation, the Employment Agreements also provide that they will be entitled to the severance payments and the vesting of all outstanding options as described above.

The following table shows estimated incremental payments triggered pursuant to a termination of employment of the Named Executive Officers in the circumstances described above, with and without a change of control.

NAME	POSITION	CALCULATION FORMULA <sup>(1)</sup>	TERMINATION PROVISIONS VALUE	CHANGE OF CONTROL PROVISIONS VALUE
MICHEL LETELLIER	President and Chief Executive Officer	Base Salary of \$375,000 x 3 Plus \$311,102 (value of unexercised in-the-money options <sup>(2)</sup> )	\$1,436,102	\$1,436,102
JEAN PERRON	Chief Financial Officer and Senior Vice President	Base Salary of \$217,500 x 3 Plus \$186,766 (value of unexercised in-the-money options <sup>(2)</sup> )	\$839,266	\$839,266
JEAN TRUDEL	Chief Investment Officer and Senior Vice President – Communications	Base Salary of \$210,000 x 3 Plus \$186,766 (value of unexercised in-the-money options <sup>(2)</sup> )	\$816,766	\$816,766
FRANÇOIS HÉBERT	Senior Vice President – Operations and Maintenance	Base Salary of \$187,500 x 1 Plus \$155,988 (value of unexercised in-the-money options <sup>(2)(3)</sup> )	\$343,488	— <sup>(3)</sup>
PETER GROVER	Senior Vice President – Project Management	Base Salary of \$190,000 x 1 Plus \$155,988 (value of unexercised in-the-money options <sup>(2)(3)</sup> )	\$345,988	— <sup>(3)</sup>

(1) The termination values assume that the triggering event (termination without cause by the Corporation or termination by the Named Executive Officer for good and sufficient reason) occurred on December 31, 2011. The change of control values assume that the triggering event (termination by the Corporation for any reason, other than for cause or termination by the Named Executive Officer for any reason) occurred on December 31, 2011, being within one year of the change of control.

(2) The Options granted in December 2007 were not attributed any value as of December 31, 2011 as they were not in the money. The Options granted in June 2010 and in November 2011 were attributed value as they were granted at a price of \$8.75 and \$9.88 respectively and the share price was at \$10.30 at close of market on December 31, 2011.

(3) François Hébert and Peter Grover do not have Change of Control Provisions in their employment agreements; therefore, the Calculation Formula only applies to the Termination Provisions Value.

Pursuant to the Employment Agreements, the Named Executive Officers are also subject to non-competition covenants for a period of two years following the termination, for any reason, of the Named Executive Officer's employment with the Corporation. The Employment Agreements also include non-solicitation covenants of the Named Executive Officers which apply throughout the Named Executive Officers' employment with the Corporation and for a period of two years following the termination, for any reason, of such employment.

### Incentive Plan Awards –Stock Option Plan

The following table sets forth details of options to purchase Common Shares granted to Named Executive Officers and which are outstanding.

NAME	OPTION-BASED AWARDS			
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS (\$)
MICHEL LETELLIER	282,000	11.00	December 6, 2017	–
	157,920	8.75	June 22, 2020	244,776
	157,920	9.88	November 17, 2018	66,326
JEAN PERRON	94,000	11.00	December 6, 2017	–
	94,752	8.75	June 22, 2020	146,866
	95,000	9.88	November 17, 2018	39,900
JEAN TRUDEL	94,000	11.00	December 6, 2017	–
	94,752	8.75	June 22, 2020	146,866
	95,000	9.88	November 17, 2018	39,900
FRANÇOIS HÉBERT	94,000	11.00	December 6, 2017	–
	78,960	8.75	June 22, 2020	122,388
	80,000	9.88	November 17, 2018	33,600
PETER GROVER	94,000	11.00	December 6, 2017	–
	78,960	8.75	June 22, 2020	122,388
	80,000	9.88	November 17, 2018	33,600

The following table summarizes, for each of the Named Executive Officers, the value of options vested during Fiscal 2011 and the value of executive performance bonus earned during Fiscal 2011.

NAME	OPTION-BASED AWARDS – VALUE VESTED DURING THE YEAR (\$)	NON-EQUITY INCENTIVE PLAN – VALUE EARNED DURING THE YEAR <sup>(1)</sup> (\$)
MICHEL LETELLIER	34,427	255,934
JEAN PERRON	20,656	98,337
JEAN TRUDEL	20,656	107,962
FRANÇOIS HÉBERT	17,222	91,293
PETER GROVER	17,222	66,168

(1) For more details, see "Performance Bonus" above.

The Stock Option Plan was adopted by resolution of the Board on December 3, 2007 in connection with the Corporation's initial public offering, which provides for the granting of options to purchase Common Shares by the Board to employees, officers, directors and certain consultants of the Corporation and its subsidiaries. Options granted under the Stock Option Plan have an exercise price of not less than the market price (the "**Market Price**") of the Common Shares at the date of grant of the option, calculated as the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the date of grant.

The maximum aggregate number of Common Shares which may be subject to options under the Stock Option Plan is 4,064,123, representing approximately 5% of the issued and outstanding Common Shares as at March 30, 2012. Since the Stock Option Plan's inception, 3,053,444 options have been granted, of which none have been exercised, and 376,000 have been cancelled. The first 1,410,000 options were granted to the executive officers in connection with the Corporation's initial public offering on December 6, 2007 and expire on December 6, 2017. Their strike price is \$11, which is equal to the offering price of \$11. The second set of 808,024 options was granted on June 23, 2010 and expires on June 22, 2020. Their strike price is \$8.75 which is equal to the market price of the Common Shares calculated as the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding June 23, 2010. The third set of 835,420 options was granted to the executive officers on November 18, 2011 and expires on November 17, 2018. Their strike price is \$9.88 which is equal to the market price of the Common Shares calculated as the volume weighted average trading price of the shares on the TSX for the five trading days immediately preceding November 18, 2011. Accordingly, as of the date hereof, 2,677,444 options are currently under grant, representing approximately 3 % of the issued and outstanding Common Shares and 1,386,679 options are available for future grants. Any Common Shares subject to an option that expires or terminates without having been fully exercised may be made the subject of a further option. The number of Common Shares issuable to non-executive directors of the Corporation under the Stock Option Plan or any other securities based compensation arrangement of the Corporation cannot at any time exceed 1% of the issued and outstanding Common Shares. The number of Common Shares issuable to insiders of the Corporation, at any time, under the Stock Option Plan and any other securities based compensation arrangement cannot exceed 10% of the issued and outstanding Common Shares. The number of Common Shares issued to insiders, within any one year period, under the Plan and any other securities based compensation arrangement cannot exceed 10% of the issued and outstanding Common Shares.

Options must be exercised during a period established by the Board, which may not be greater than ten years after the date of grant. Subject to the discretion of the Board, options granted under the Stock Option Plan will vest in four equal amounts on a yearly basis over the four years following the grant date. The options granted on June 23, 2010 will vest in five equal amounts on a yearly basis over the five years following the grant date.

If the date on which an option expires occurs during or within 10 days after the last day of a black out period under a black out policy of the Corporation, the expiry date of the option will be the last day of such 10-day period.

If approved by the Board, in lieu of paying the exercise price for the Common Shares to be issued pursuant to an exercise, the optionholder may elect to acquire the number of Common Shares determined by subtracting the exercise price from the Market Price of the Common Shares on the date of exercise, multiplying the difference by the number of Common Shares in respect of which the option was otherwise being exercised and then dividing that product by such Market Price of the Common Shares.

If an optionee's employment, office or directorship with the Corporation is terminated for cause, options not then exercised terminate immediately. If an optionee dies or becomes, in the determination of the Board, permanently disabled, vested options may be exercised for that number of Common Shares which the optionee was entitled to acquire at the time of death or permanent disability, as the case may be, for a period of six months or one year after the date of death or permanent disability. Pursuant to the Stock Option Plan, upon an optionee's employment, office or directorship with the Corporation terminating or ending other than by reason of death, permanent disability or termination for cause, vested options may be exercised for that number of Common Shares which the optionee was entitled to acquire at the time of such termination. Such options may be exercised for a period of 90 days after such date. The limitations set forth above are subject to waiver by the Board at its discretion, provided that the Board will not, in any case, authorize the exercise of an option after its applicable expiry date.

The Stock Option Plan is administered by the Board. The Board may amend, suspend or terminate the Stock Option Plan or the term of any outstanding option at any time, provided that no such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or, if the amendment, suspension or termination materially prejudices the rights of any optionholder, the consent of that optionholder. Furthermore, the Board may not, without the consent of the shareholders, make amendments to the Stock Option Plan for any of the following purposes: (i) to increase the maximum number of Common Shares that may be issued pursuant to options granted under the Stock Option Plan; (ii) to reduce the exercise price of the options to less than the market price; (iii) to reduce the exercise price for options for the benefit of an insider, as that term is defined under the Stock Option Plan; (iv) to extend the expiry date of options for the benefit of an insider (as that term is defined under the Stock Option Plan); (v) to increase the maximum number of Common Shares issuable to non-executive directors or insiders; and (vi) to amend the provisions of the Plan relating to what the Board cannot amend without shareholder approval. The Board may, without the approval of shareholders of the Corporation, amend any term of any outstanding option (including, without limitation, the exercise price, vesting and expiry), provided that: i) the required regulatory or stock exchange approval is obtained; (ii) if the amendments would reduce the exercise price or extend the expiry date of options granted to insiders, approval of shareholders must be obtained; (iii) the Board would have the authority to initially grant the option under the terms as so amended; and (iv) the consent or deemed consent of the optionholder is obtained if the amendment would materially prejudice the rights of the optionholder under the option.

The Stock Option Plan and individual option terms and conditions are subject to adjustment in the event of a subdivision, consolidation or certain distributions of Common Shares and upon a capital reorganization, reclassification or change of the Common Shares, a corporate reorganization or combination of the Corporation with another corporation or a sale, lease or exchange of all or substantially all of the assets of the Corporation. In the event of a proposed change of control (as that term is defined under the Stock Option Plan) the Board may accelerate the vesting period of outstanding options. Options granted pursuant to the Stock Option Plan may not be assigned or transferred with the exception of an assignment made to certain permitted assigns, including a trustee, custodian or administrator acting on behalf of the participant, a holding entity of the participant and the spouse of the participant.

The Named Executive Officers and the Directors of the Corporation are not permitted to purchase financial instruments that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth, as at December 31, 2011, certain information with respect to the Stock Option Plan, being the only compensation plan of the Corporation pursuant to which equity securities of the Corporation are authorized for issuance from the treasury.

PLAN	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FURTHER ISSUANCE UNDER EQUITY COMPENSATION PLANS
<i>Equity compensation plan approved by securityholders<sup>(1)</sup></i>	2,677,444	\$9.97	1,386,679
<i>Equity compensation plan not approved by securityholders</i>	-	-	-
<b>Total</b>	2,677,444	\$9.97	1,386,679

(1) For more information regarding the Stock Option Plan, please refer to the section "Incentive Plan Awards - Stock Option Plan" above.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the Corporation's directors or officers is indebted to the Corporation (other than "routine indebtedness" under Canadian securities laws).

## **STATEMENT OF CORPORATE GOVERNANCE**

Under the rules of the Canadian Securities Administrators, the Corporation is required to disclose information relating to its system of corporate governance with reference to certain standards adopted by the Canadian Securities Administrators. The Corporation's disclosure addressing each of these standards is set out in Schedule "B" of this Circular.

## **AUDIT COMMITTEE INFORMATION**

Reference is made to the Annual Information Form of the Corporation for the financial year ended December 31, 2011 for disclosure of information relating to the Audit Committee required under *Regulation 52-110 Respecting Audit Committees* under the *Securities Act* (Québec) as well as to Schedule "B" of this Circular describing the Corporation's corporate governance practices. A copy of the Annual Information Form of the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting the Corporate Secretary of the Corporation, at 1111 St-Charles Street West, East Tower, Suite 1255, Longueuil, Province of Québec, J4K 5G4.

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Corporation provides insurance for the benefit of its directors and officers against liability that may be incurred by them in these capacities. For Fiscal 2011, the Corporation paid a total annual premium of \$106,780, which premium was not specifically allocated among the directors as a group and officers as a group. Such insurance was limited to an amount of \$30 million and was subject to a general deductible of \$100,000 per loss, as well as specific exclusions, which are usually contained in policies of this nature.

Six-year run-off insurance policies were obtained, as of March 29, 2010 and ending March 28, 2016, for all former trustees of the Trust and directors of the Corporation for potential liability incurred prior to the Arrangement.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No director, executive officer or shareholder who beneficially owns or exercises control or direction over, directly or indirectly, more than 10% of the outstanding Common Shares or any director or officer of any such person, has or had, since January 1, 2011, any material interest, direct or indirect, in any transaction or in any proposed transaction, that has materially affected or will materially affect the Corporation

## **SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING**

The final date for submitting shareholder proposals for the 2013 Annual Meeting of the Corporation is December 31, 2012, being the date which is 90 days before the anniversary date of the Corporation's notice to shareholders in connection with the Meeting.

## **ADDITIONAL INFORMATION**

Financial information related to the Corporation is provided in the Corporation's comparative financial statements and Management's Discussion and Analysis thereon for Fiscal 2011. Copies of the Corporation's Annual Information Form for Fiscal 2011, the audited consolidated financial statements of the Corporation for Fiscal 2011, together with a report of the auditors thereon, the Management's Discussion and Analysis of the Corporation's financial condition and results of operations for Fiscal 2011 and this Circular will be available upon request to the Corporate Secretary of the Corporation and on the website of the Corporation at [www.innergex.com](http://www.innergex.com). These documents are also available on SEDAR at [www.sedar.com](http://www.sedar.com).



## **APPROVAL**

The content of this Circular has been approved by the Board of the Corporation.

DATED as of the 30<sup>th</sup> day of March, 2012.

By order of the Board of INNERGEX RENEWABLE ENERGY INC.

(s) Nathalie Th  berge

Nathalie Th  berge  
Corporate Secretary

## SCHEDULE "A"

### CHARTER OF THE HUMAN RESOURCES COMMITTEE

This Charter prescribes the role of the Human Resources Committee (the "**Committee**") of the Board of Innergex Renewable Energy Inc. (the "**Corporation**"). This Charter is subject to the provisions of the Corporation's Articles and By-Laws and to applicable laws. This Charter is not intended to limit, enlarge or change in any way the responsibilities of the Committee as determined by such Articles and By-Laws and applicable laws.

#### 1. Role

In addition to the powers and authorities conferred upon the Directors in the Corporation's Articles and By-Laws and as prescribed by applicable laws, the mandate of the Committee is primarily as follows:

- (i) Review the senior management compensation policies and/or practices followed by the Corporation and seek to ensure such policies are designed to recognize and reward performance and establish a compensation framework, which is industry competitive and which results in the creation of shareholder value over the long-term;
- (ii) Review the succession planning process for the senior management team; and
- (iii) Assess the overall human resources management such as turnover, training, satisfaction, etc.

Nothing contained in this Charter is intended to require the Committee to ensure the Corporation's compliance with applicable laws or regulations.

#### 2. Composition

##### 2.1 *Number and criteria*

The Committee should be comprised of such Directors as are determined by the Board, a majority of whom should be independent (as that term is defined in Regulation 52-110 – *Respecting Audit Committees*).

The Committee shall consist of at least three members.

##### 2.2 *Selection and Chair*

The members of the Committee and its Chair shall be elected by the Board on an annual basis after the shareholders' annual meeting at which the directors are elected, or until their successors are duly elected. The Chair shall designate from time to time a person who may, but not necessarily, be a member of the Committee to act as secretary.

Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee Membership.

Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a director of the Corporation. The Board may fill vacancies on the Committee by electing from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of its powers so long as a quorum remains.

### 2.3 *Remuneration*

Members of the Committee and the Chair shall receive such remuneration for their services as the Board may determine from time to time.

### 2.4 *Term Limit*

No person shall serve on the Committee for a period of more than six consecutive years, unless the Board shall, on a particular case, specifically determine to make exception from such limitation.

## **3. Meetings**

The Committee should meet at least twice annually or more frequently as circumstances require.

A quorum for the transaction of business at any meeting of the Committee shall be a majority of members of the Committee or such greater number as the Committee shall determine by resolution.

The Committee may ask members of Management or others to attend meetings or to provide information as necessary. The Committee shall have full access to all information it deems appropriate for the purpose of fulfilling its role. The Chairman of the Board is an *ad hoc* member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Committee. The Chairman of the Board, the President and Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary of the Corporation shall, be entitled to request that any member of the Committee call a meeting.

The Committee should determine any desired agenda items.

The Committee should record minutes of its meetings and the Chair shall report to the whole Board on a timely basis.

## **4. Responsibilities**

The Committee's primary responsibility is to submit to the full Board, recommendations concerning executive compensation and compensation plan matters. The Committee shall only make recommendations to the Board for their consideration and approval, if appropriate. The Board will have the responsibility to instruct Management to implement the Board's directives.

The Committee shall, inter alia:

- Ensure that base salaries are competitive relative to the industry and that bonuses, if any, reflect individual performance in the context of the overall performance of the Corporation. Overall performance should be measured by issues such as profitability, share price, distributions and initiatives being undertaken in the year, which should provide future shareholder benefit;
- Review corporate goals and objectives relevant to the President and Chief Executive Officer and other senior management positions;
- Evaluate the President and Chief Executive Officer performance in light of the corporate goals and objectives;

- Review and recommend to the Board for approval the compensation of the President and Chief Executive Officer based on the evaluation of his performance;
- Review the annual compensation package of the other Corporation's senior management;
- Oversee the administration of the Corporation's compensation plans for senior management, including equity-based plans, incentive compensation plans, annual bonuses and such other compensation plans or structures as are adopted by the Board from time to time;
- Oversee the risks associated with the Corporation's compensation policies and practices;
- Ensure that appropriate mechanisms are in place regarding succession planning for the position of President and Chief Executive Officer and other senior management positions;
- Assess overall human resources management; and
- Review and recommend to the Board for approval, any public disclosure of information relating to the compensation of the Corporation's senior management, including the information to be disclosed and the compensation discussion and analysis to be incorporated in the annual management information circular.

## **5. Advisors**

The Committee may hire outside advisors at the expense of the Corporation in order to assist the Committee in the performance of its duties and set and pay the compensation for such advisors.

The Board has determined that any committee who wishes to hire a non-management advisor to assist on matters involving the committee members' responsibilities at the expense of the Corporation should review the request with, and obtain the authorization of, the Chairman of the Board.

## **6. Assessment**

On an annual basis the Committee shall follow the process established by the Corporate Governance Committee (and approved by the Board) for assessing performance and effectiveness of the Committee.

## **7. Charter review**

The Committee should review this Charter on an annual basis and recommend to the Board changes, as considered appropriate from time to time.

## **8. General**

The Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.

## SCHEDULE “B”

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

*Regulation 52-110 Respecting Audit Committees* includes requirements regarding audit committee composition and responsibilities, as well as reporting obligations with respect to audit related matters (such regulation, as amended, the “**CSA Audit Committee Rules**”). The Corporation complies with these rules and appropriate disclosure is made, where applicable, in connection therewith in the following table.

*Regulation 58-101 Respecting Disclosure of Corporate Governance Practices* (the “**CSA Disclosure Instrument**”) requires issuers to make prescribed disclosure regarding their governance practices and National Policy 58-201 – *Effective Corporate Governance* (the “**CSA Governance Policy**”) provides guidance on governance practices to Canadian issuers. The disclosure made hereunder refers to the items of the CSA Disclosure Instrument.

The Corporation’s 2012 Annual Information Form, which may be obtained on request from the Corporate Secretary of the Corporation or on SEDAR at [www.sedar.com](http://www.sedar.com), also contains information pertaining to corporate governance.

The Corporation is dedicated to enhancing its corporate governance practices on an ongoing basis in order to respond to the evolution of best practices.

GUIDELINES	PRACTICES WITHIN THE CORPORATION
<p><b>1. Board of Directors</b></p> <p>(a) Disclose the identity of directors who are independent.</p>	<p>The Board of Directors of the Corporation (the “<b>Board</b>”) has reviewed the independence of each director within the meaning of the CSA Disclosure Instrument in light of the information provided by each of them and has determined, after reviewing the role and relationships of each of the directors, that six of the seven nominees proposed by the management of the Corporation (“<b>Management</b>”) for election to the Board are independent. The following nominees have been affirmatively determined to be independent by the Board:</p> <ul style="list-style-type: none"> <li>• John A. Hanna;</li> <li>• Lise Lachapelle;</li> <li>• Jean La Couture;</li> <li>• Richard Laflamme;</li> <li>• Daniel L. Lafrance; and</li> <li>• William A. Lambert.</li> </ul>
<p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>The Board has determined, after reviewing the role and relationships of each of the directors, that Michel Letellier, as President and Chief Executive Officer of the Corporation, is the sole nominee proposed by Management for election to the Board who is not independent</p>
<p>(c) Disclose whether or not a majority of directors are independent.</p>	<p>Seven of the eight current directors and six of the seven nominees proposed by Management for election to the Board are independent.</p>

GUIDELINES	PRACTICES WITHIN THE CORPORATION
(d) If a director is currently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Current directorships of all director nominees with other reporting issuers are described in the table set forth under the heading "Election of Directors" of this Circular.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	<p><u>In camera sessions (Board meetings):</u> Independent directors have the opportunity to meet regularly to discuss matters of interest without the presence of non-independent directors and members of Management and they hold such meetings after each meeting of the Board. Such meetings are chaired by the Chairman of the Board, Jean La Couture, who is independent within the meaning of the CSA Disclosure Instrument. Five meetings of independent directors at which non-independent directors and members of Management were not in attendance were held in Fiscal 2011.</p> <p><u>In camera sessions (committee meetings):</u></p> <p>All Board committees, namely the Audit Committee, the Human Resources Committee, the Corporate Governance Committee and the Nominating Committee, are composed exclusively of independent directors. The Audit Committee meets with, or without, the auditors after each meeting, without members of Management being present. The other committees meet from time to time, without members of Management being present.</p>
(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.	<p>Jean La Couture, as Chairman of the Board, is independent within the meaning of the CSA Disclosure Instrument.</p> <p>The Chairman of the Board is responsible for (i) the management and operation of the Board and (ii) relations between the Board, the shareholders and other interested parties. He must ensure that the Board performs the tasks related to its mandate, in an efficient manner and that directors clearly understand and respect the limits between the Board's responsibilities and that of the management of the Corporation.</p>
(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.	Overall, the combined attendance by the directors at Board meetings in Fiscal 2011 was 94%. A record of attendance by directors at Board meetings during Fiscal 2011 is set out under the heading "Election of Directors – Record of Attendance" of this Circular.
<b>2. Board Mandate</b> – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The Board has adopted a formal mandate for itself which is reproduced under Schedule "C" to this Circular.
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board	The Board has developed written charters for all the committees and has developed a written position description for the Chairman of the Board and for each committee's chairperson.

GUIDELINES	PRACTICES WITHIN THE CORPORATION
<p>committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p>	<p>The mandate of the Chairman of the Board states that he is responsible for the management and operation of the Board and relations between the Board and shareholders and other interested parties. He must ensure that the Board performs the tasks related to its mandate in an efficient manner, and that directors clearly understand and respect the limits between the Board and Management's responsibilities. The mandate of the Chairman of the Board also states that he shall provide leadership to enhance Board effectiveness.</p> <p>The mandate of each committee's chairperson provides that each committee chairperson's key role is to manage his respective committee and ensure that the committee carries out its mandate effectively. Like the Chairman of the Board, each committee chairperson is expected to provide leadership to enhance committee effectiveness and must oversee the committee's discharge of its responsibilities. Committee chairpersons must report regularly to the Board on the businesses of their respective committees.</p>
<p>(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>	<p>The Board has developed a written position description for the President and Chief Executive Officer.</p> <p>The Board has delegated to the President and Chief Executive Officer and his management team the responsibility for the day-to-day management while respecting the Corporation's strategic plans, operational agenda, corporate policies and financial limits approved from time to time by the Board.</p> <p>The Board expects to be advised on a regular basis as to the results being achieved, and to be presented for approval alternative plans and strategies proposed to be implemented, in keeping with evolving conditions. Furthermore, the Board expects the President and Chief Executive Officer and his management team to review the Corporation's strategies, carry out a comprehensive budgeting process, monitor the Corporation's performance against the budget and identify opportunities and risks affecting the Corporation and find ways to deal with them. Performance of the President and Chief Executive Officer and his management team will be assessed against the achievement of strategic plans and budget. See "Executive Compensation".</p> <p>In addition to those matters which by law must be approved by the Board, or a committee of the Board to which approval authority has been delegated by the Board, Board approval is required for all matters of policy and all actions proposed to be taken by the Corporation which are not in the ordinary course of business. In particular, the Board approves major capital expenditures, all material transactions and the appointment of all officers.</p>

GUIDELINES	PRACTICES WITHIN THE CORPORATION
<p><b>4. Orientation and Continuing Education</b></p> <p>(a) Briefly describe what measures the Board takes to orient new directors regarding</p> <ul style="list-style-type: none"> <li>(i) the role of the Board, its committees and its directors; and</li> <li>(ii) the nature and operation of the issuer's business.</li> </ul>	<p>In addition to having extensive discussions with the Chairman of the Board and the President and Chief Executive Officer with respect to the business and operations of the Corporation, new directors are provided with extensive information on the Corporation's business, its strategic and operational business plans, its corporate objectives, its operating performance, its corporate governance system and its financial position. Also, they meet individually with members of senior management. The Board further ensures that director nominees fully understand the role of the Board and its committees and the contribution that individual directors are expected to make.</p>
<p>(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>Presentations are made from time to time by Management and outside consultants to the Board to educate and keep Board members informed of changes within the Corporation and of regulatory and industry requirements and standards. Commented visits to the facilities of the Corporation are also organized for the directors by the Corporation, upon request.</p>
<p><b>5. Ethical Business Conduct</b></p> <p>(a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:</p> <ul style="list-style-type: none"> <li>(i) disclose how a person or Corporation may obtain a copy of the code;</li> <li>(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and</li> <li>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</li> </ul>	<p>The Corporation has adopted a written Code of Conducts which applies to each employee, director and officer of the Corporation, the purpose of which is to provide guidelines to ensure that the Corporation's reputation for integrity and good corporate citizenship is maintained through the adherence to the highest ethical standards and complied with by all of those individuals.</p> <ul style="list-style-type: none"> <li>(i) The Corporation's Code of Conducts is available on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a> and a copy is remitted to any new employee and is made available to all employees via the intranet and upon request to the Corporate Secretary.</li> <li>(ii) The Board does not monitor compliance with the Code of Conducts but it regularly assesses compliance by its queries to Management at Board meetings.</li> <li>(iii) None.</li> </ul>



GUIDELINES	PRACTICES WITHIN THE CORPORATION
<p>(b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>The Board can and does exercise independent judgement. The Board monitors the disclosure of conflicts of interest by directors and ensures that no director will vote or participate in a discussion on a matter in respect of which such director has a material interest.</p>
<p>(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>At the request of the Board, the employees of the Corporation received training sessions given by the Corporate Secretary on the Code of Conduct and related policies in Fiscal 2011 and all directors, executive officers and active employees have signed the Code of Conduct. The Board promotes a business environment where employees are encouraged to report malfeasance, irregularities and other concerns. The Board has also adopted a whistle-blowing procedure with respect to the submission by employees of concerns regarding, <i>inter alia</i>, questionable accounting or auditing matters.</p>
<p><b>6. Nomination of Directors</b></p> <p>(a) Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>The Board retains the responsibility for the recruiting, orientation and training of the directors. Recruiting will be based on the capabilities and experience of the candidates in relation with the needs of the Corporation and the adequacy of the time commitment of individuals to the Corporation's matters. Each director will have the ability to interview new candidates and final decisions will be made at Board meetings. The Board also expects new candidates would be invited to participate as observers at one or two Board meetings, as appropriate, as part of the selection and diligence process.</p>
<p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.</p> <p>(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>The Nominating Committee of the Corporation has the responsibility of reviewing the composition of the Board, establishing, where appropriate, qualifications for directors and procedures for identifying possible nominees, proposing new nominees for appointment to the Board where applicable and providing orientations to new Board members. All four members of the Nominating Committee, namely Jean La Couture (Chairman), Richard Laflamme, William A. Lambert and Susan M. Smith, are independent. The charter of the Nominating Committee is available on the Corporation's website at <a href="http://www.innergex.com">www.innergex.com</a>.</p>
<p><b>7. Compensation</b></p> <p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>The process by which the Board determines the compensation of the Corporation's directors and the information on compensation received by the directors of the Corporation is described under section "Compensation of Directors" of this Circular.</p> <p>The process by which the Board determines the compensation of the Corporation's officers is described under section "Compensation of Named Executive Officers" of this Circular.</p>

GUIDELINES	PRACTICES WITHIN THE CORPORATION
<p>(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>All members of the Corporate Governance Committee and the Human Resources Committee are independent. In the opinion of the Board, this ensures an objective process for making recommendations to the Board with respect to compensation. Furthermore, the Board, of which seven of the eight current and proposed nominees are independent, retains the ultimate responsibility for making decisions relating to compensation, thus ensuring an objective process. The charter of the Human Resources Committee and the charter of the Corporate Governance Committee are available on the Corporation's website at <a href="http://www.innergex.com">www.innergex.com</a>.</p>
<p>(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>The Human Resources Committee has the responsibility of, <i>inter alia</i>, reviewing the senior management compensation policies and/or practices. The responsibilities, powers and operation of the Human Resources Committee are further disclosed under section "Compensation Governance" of this Circular.</p>
<p>8. <b>Other Board Committees</b> – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has four standing committees, being the Audit Committee, the Corporate Governance Committee, the Human Resources Committee and the Nominating Committee, and has no other permanent standing committee.</p>
<p>9. <b>Assessments</b> – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Corporate Governance Committee has received the mandate to ensure that a process is in place for the annual review of the contribution and qualification of individual directors, the performance and effectiveness of the Board as a whole and the Board committees. The Corporate Governance Committee reviews and approves a performance evaluation questionnaire that is forwarded annually by such committee's chair to directors. This questionnaire covers a wide range of issues and allows for comments and suggestions and covers both Board and individual performance. The Chairman of the Board compiles responses and contacts each director, when deemed necessary, to discuss the Board and Board committee evaluations as well as individual directors' performance, including that of the Board and committee chairs. The Chairman of the Board then reports the results to the Board. This formal evaluation process takes place on an annual basis.</p> <p>The most recent annual evaluation, which was conducted in the second quarter of Fiscal 2011, showed that the Board, its committees, committee chairs and individual directors were effectively fulfilling their responsibilities.</p>

REQUIREMENT UNDER THE CSA AUDIT COMMITTEE RULES	PRACTICES WITHIN THE CORPORATION
<p>The CSA Audit Committee Rules state that the audit committee must be composed of a minimum of three members, who must be "independent" directors (as defined in those rules).</p>	<p>The Audit Committee is composed of three members, namely John A. Hanna (Chairman), Jean La Couture and Daniel L. Lafrance. The Board has determined that all members of the Audit Committee are independent within the meaning of the CSA Audit Committee Rules.</p>
<p>The CSA Audit Committee Rules state that each audit committee member must be financially literate.</p>	<p>The Board has determined that all members of the Audit Committee are financially literate within the meaning of the CSA Audit Committee Rules.</p>

REQUIREMENT UNDER THE CSA AUDIT COMMITTEE RULES	PRACTICES WITHIN THE CORPORATION
<p>The CSA Audit Committee Rules state that the audit committee must have a written charter that sets out its mandate and responsibilities.</p>	<p>The mandate of the Audit Committee, attached as Schedule C to the Annual Information Form of the Corporation and available on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>, describes explicitly the role and oversight responsibilities of the Audit Committee.</p>
<p>The CSA Audit Committee Rules state that the audit committee must recommend to the Board: (a) the external auditor to be nominated for the purposes of preparing or issuing an auditors' report or performing other audit, review or attest services for the issuer; and (b) the compensation of the external auditor.</p>	<p>The mandate of the Audit Committee provides that the Audit Committee is responsible for recommending the appointment of external auditors, their compensation, as well as reviewing and monitoring their qualifications, performance and independence.</p>
<p>The CSA Audit Committee Rules state that the audit committee must be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditors report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.</p>	<p>The mandate of the Audit Committee provides that the committee is responsible for reviewing the relationships between the external auditors and the Corporation, including considering the auditors' judgments about the quality, transparency and appropriateness and not just the acceptability of the Corporation's accounting principles and resolving any issues between the external auditor and Management.</p>
<p>The CSA Audit Committee Rules state that the audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by the issuer's external auditor.</p>	<p>The mandate of the Audit Committee states that the committee's responsibilities include pre-approving all non-audit services to be provided to the Corporation and its subsidiaries. The Audit Committee has approved a written policy on pre-approval of non-audited services.</p>
<p>The CSA Audit Committee Rules state that the audit committee must review the issuer's financial statements, MD&amp;A and annual and interim earnings press releases before the issuer publicly discloses this information. These rules also mention that the audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in the preceding sentence, and must periodically assess the adequacy of those procedures.</p>	<p>The mandate of the Audit Committee provides that the committee is responsible for reviewing and recommending the approval of the annual and interim financial statements of the Corporation, including the Corporation's MD&amp;A disclosure, prior to their release, filing and distribution. The Audit Committee charter provides it must ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information (other than the public disclosure referred to in the preceding sentence) extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures.</p>
<p>The CSA Audit Committee Rules state that the audit committee must establish procedures for: (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.</p>	<p>The charter of the Audit Committee provides that the committee must establish procedures for the receipt, retention and treatment of complaints or concerns received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.</p> <p>The Board has approved a whistle-blowing procedure developed by the Audit Committee with respect to the anonymous submission by employees of concerns regarding, <i>inter alia</i>, questionable accounting or auditing matters.</p>

REQUIREMENT UNDER THE CSA AUDIT COMMITTEE RULES	PRACTICES WITHIN THE CORPORATION
<p>The CSA Audit Committee Rules state that the audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.</p>	<p>The charter of the Audit Committee provides that the committee is responsible for reviewing hiring policies for employees or former employees of the Corporation's firm of external auditors.</p>
<p>The CSA Audit Committee Rules state that the audit committee must have the authority: (a) to engage independent counsel and other advisors as it determines necessary to carry out its duties; (b) to set and pay the compensation for any advisors employed by the audit committee; and (c) to communicate directly with the internal and external auditors.</p>	<p>The Audit Committee's charter provides that the Audit Committee has the authority to authorize or conduct investigations into any matters that fall within its scope of responsibilities. Furthermore, the Audit Committee charter provides that the Audit Committee can engage outside advisors and communicate directly with internal and external auditors.</p>

## SCHEDULE "C"

### CHARTER OF THE BOARD OF DIRECTORS

This Charter prescribes the role of the Board of directors (the "**Board**") of Innergex Renewable Energy Inc. (the "**Corporation**"). This Charter is subject to the provisions of the Corporation's Articles and By-Laws and to applicable laws. This Charter is not intended to limit, enlarge or change in any way the responsibilities of the Board as determined by such Articles and By-Laws and applicable laws.

#### 1. Role

The prime stewardship responsibility of the Board is to ensure the viability of the Corporation and to ensure that it is managed in the interests of the shareholders as a whole.

In addition to the powers and authorities conferred upon the Directors in the Corporation's Articles and By-Laws and to the duties of the directors of a Canadian corporation as prescribed by applicable laws, the mandate of the Board is to oversee the management of the business and affairs of the Corporation with a view to evaluate, on an ongoing basis, whether the Corporation's resources are being managed in a manner consistent with enhancing shareholder value, ethical considerations and stakeholder's interests.

#### 2. Constitution

##### 2.1 *Number*

The Board shall be comprised of that number of Board members as shall be determined from time to time by the Board upon recommendation of the Corporate Governance Committee. The Corporation's Articles provide that the Board shall be composed of a minimum of 3 and a maximum of 10 directors.

##### 2.2 *Independence*

A majority of the Board shall be composed of Board members who must be determined to be independent within the meaning of Regulation 52-110 – *Respecting Audit Committees*.

##### 2.3 *Criteria for Board membership*

Board members must have an appropriate mix of skills, knowledge and experience in business and an understanding of the geographical areas in which the Corporation operates. Board members selected should be able to commit the requisite time for all of the Board's business.

##### 2.4 *Fiduciary duty and duty of care*

Board members are expected to possess the following characteristics and traits:

- demonstrate high ethical standards and integrity in their personal and professional dealings
- act honestly and in good faith with a view to the best interests of the Corporation

- devote sufficient time to the affairs of the Corporation and exercise care, diligence and skill in fulfilling their responsibilities both as Board members and as a Committee members
- provide independent judgment on a broad range of issues
- understand and challenge the key business plans of the Corporation
- raise questions and issues to facilitate active and effective participation in the deliberations of the Board and of each Committee
- make all reasonable efforts to attend all Board and Committee meetings
- review the materials provided by management in advance of the Board and Committee meetings

In discharging their duties, Board members must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

#### 2.5 *Selection*

The Board approves annually the final choice of nominees for election by the shareholders, upon recommendation by the Nominating Committee.

#### 2.6 *Chairman*

The Board shall appoint a Chairman annually at the first meeting of the Board following the shareholders' annual meeting at which the directors are elected. If the Board does not so appoint a Chairman, the Director who is the serving as Chairman shall continue as Chairman until his or her successor is appointed.

#### 2.7 *Remuneration*

Members of the Board and the Chairman shall receive such remuneration for their services as the Board may determine from time to time, in consultation with the Corporate Governance Committee, and which is customary for comparable corporations, having regard for such matters as time commitment, responsibility and trends in director compensation.

### **3. Responsibilities**

The Board establishes the overall policies for the Corporation, monitors and evaluates the Corporation's strategic direction, and retains plenary power for those functions not specifically delegated by it to its Committees or to management.

Without limiting the generality of the foregoing, the Board shall, *inter alia*:

#### 3.1 *With respect to strategic planning*

- Oversee the strategic planning process and review, monitor and approve, at least annually, the Corporation's long-term strategy, taking into account, amongst other matters, business opportunities and risks.

- Approve and monitor the implementation of the Corporation's annual business plan.
- Advise the management on strategic issues.

### 3.2 *With respect to human resources and performance assessment*

- Select the President and Chief Executive Officer and, approve the appointment of other senior management executives.
- Monitor and assess the performance of the President and Chief Executive Officer and the Chief Financial Officer.
- Oversee the evaluation of the other senior management members.
- Approve the compensation of the senior management, taking into consideration Board expectations and fixed goals and objectives.
- Monitor the implementation of incentive compensation plans and equity-based plans.
- Monitor management and Board succession planning process.
- Monitor the size and composition of the Board and its Committees based on competencies, skills and personal qualities sought in Board members.
- Review annually the charters of the Board and Committees and the duties of their respective Chair.

The Board may direct the Corporate Governance Committee and/or the Human Resources Committee to consider matters contemplated in this section 3.2 and to report and make recommendations to the Board.

### 3.3 *With respect to financial matters and internal control*

- Monitor the integrity and quality of the Corporation's financial statements and the appropriateness of their disclosure.
- Review the general content of, and the Audit Committee's report on the financial aspects of, the Corporation's Annual Information Form, Annual Report, Management Proxy Circular, Management's Discussion and Analysis, prospectuses and any other document required to be disclosed or filed by the Corporation before their public disclosure or filing with regulatory authorities.
- Approve operating and capital budgets, the issuance of securities and, subject to the schedule of authority adopted by the Board, any transaction out of the ordinary course of business, including proposals on mergers, acquisitions or other major transactions such as investment or divestitures.
- Establish dividend policies and procedures.
- Take all reasonable measures to ensure that appropriate systems are in place to identify business risks and opportunities and overseeing the implementation of processes to manage these risks and opportunities.

- Monitor the Corporation's internal control and management information systems.
- Monitor the Corporation's compliance with applicable legal and regulatory requirements.
- Review at least annually the Corporation's information disclosure policy and monitor the Corporation's communications with analysts, investors and the public.
- Oversee the Whistleblower Procedures, including in respect of financial matters.

The Board may direct the Audit Committee to consider matters contemplated in this section 3.3 and to report and make recommendations to the Board.

#### 3.4 *With respect to corporate governance matters*

- Take all reasonable measures to satisfy itself as to the integrity of the President and Chief Executive Officer and other executive officers and that management creates a culture of integrity throughout the Corporation.
- Review, on a regular basis, the appropriate corporate governance structures and procedures.
- Adopt and review, on a regular basis, the Corporation's Code of conduct, policies and procedures applicable to the Board and employees.
- Approve the disclosure of the Corporation's governance practices in any document before it is delivered to the shareholders and the securities regulators or filed with the Stock exchanges.
- Review on an annual basis the Charter of the Board and of each Committee of the Board.
- Adopt formal position description for the Chairman of the Board, and the Chair of each Committee.
- Adopt a formal annual assessment process for the Board, as a whole, the Committees and the contributions of each director.
- Implement a continuing education program for all directors and a comprehensive orientation program for new directors;
- Assess on an annual basis the performance and effectiveness of the Board in accordance with the assessment process established by the Corporate Governance Committee.

The Board may direct the Corporate Governance Committee to consider matters contemplated in this section 3.4 and to report and make recommendations to the Board.

#### 3.5 *Other matters*

- Oversee the development and implementation of, and assess and monitor, environmental, safety and security policies, procedures and guidelines, including an emergency response plan.



#### **4. Meetings**

The Board will meet at least quarterly, with additional meetings scheduled as required. Additional meetings may be held at the request of any Board member. The Chairman will forward to the President and Chief Executive Officer any questions, comments or suggestions of the Board members.

In order to transact business, at least a majority of directors then in office shall be present.

The Chairman will prepare, and the Corporate Secretary at the request of the Chairman, will distribute, the meeting agenda and minutes to the Board.

Information and materials that are important to the Board's understanding of the agenda items and related topics are distributed in advance of a meeting. The Corporation will deliver information on the business, operations and finances of the Corporation to the Board on an "as required basis".

The Chairman shall designate from time to time a person who may, but need not, be a member of the Board, to be secretary of any meeting of the Board.

At each quarterly meeting of the Board, non-management Board members will meet *in camera* session. To the extent that non-management directors include directors who are not independent directors, the independent directors shall meet at the conclusion of each quarterly meeting with only independent directors present.

The Board may invite any of the Corporation's employees, officers, 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.

#### **5. Board Committees**

The Board may establish and delegate to committees of the Board any duties or responsibilities of the Board which the Board is not prohibited by law from delegating. However, the committees of the Board have the authority to make recommendations to the Board but not to bind the Corporation, except to the extent such authority has been specifically delegated to such committee by the Board. The roles and responsibilities of each Committee are described in their respective Committee charter. The Board may appoint *ad hoc* committees when deemed appropriate.

The Board has four standing committees: the Audit Committee, the Corporate Governance Committee, the Human Resources Committee and the Nominating Committee. The Board may combine the responsibilities of the three last committees into one or two committees.

#### **6. Conflict of Interest**

If a Board member (i) is party to a contract or transaction or proposed contract or transaction with Innergex or any of its affiliates, (ii) is a director or an officer, or an individual acting in a similar capacity, of a party to a contract or transaction or proposed contract or transaction with Innergex or any of its affiliates, or (iii) has a material interest in a person or an affiliate of any person who is a party to a contract or transaction or proposed contract or a transaction with Innergex or any of its affiliates, he/she shall disclose, as soon as possible, the nature and extent of his/her interest in writing to the Chairman of the Board, or, in the case of the Chairman of the Board, to the President and Chief Executive Officer.

In such circumstances, a Director shall not:

- (i) receive material provided to the Board or Committee members;
- (ii) be present during meetings of the Board or Committees while the matter in question is discussed;
- (iii) vote on any resolution intended to approve such a contract or transaction; or
- (iv) receive copy of the minutes except to examine the portion of the minutes that contain disclosure relating to such Director's disclosure of conflict;

unless the contract or the transaction or proposed contract or transaction:

- (a) is related to his/her compensation as a director, officer, employee or agent of the Corporation;
- (b) is related to the purchase of liability insurance; or
- (c) is with an affiliate of the Corporation;

provided, however, that the Director's presence at the meeting where such vote is taken or the written acknowledgement by the Director of the existence of a written resolution is taken into consideration in the determination of the quorum required or the minimum number of Directors required.

The Board will approve a formal process to ensure that the foregoing is understood and followed by the Board members.

## **7. Advisors**

The Board may engage outside advisors at the expense of the Corporation in order to assist the Board in the performance of its duties and set and pay the compensation for such advisors.

The Board has determined that any Board member who wishes to engage a non-management advisor to assist on matters involving the Board member's responsibilities as a Board member at the expense of the Corporation should review the request with, and obtain the authorization of, the Chairman of the Board.

## **8. Board Interaction with Third Parties**

If a third party approaches a Board member on a matter of interest to the Corporation, the Board member should bring the matter to the attention of the Chairman who shall determine whether this matter should be reviewed with management or should more appropriately be dealt by the Board *in camera* session.

## **9. Communication with the Board**

Shareholders and other constituencies may communicate with the Board and individual Board members by contacting any one of the Chairman of the Board, the Chair of the Audit Committee or the Chair of the Corporate Governance Committee.

**10. Review of the Charter**

The Board should review this Charter on an annual basis and make changes to this Charter, as considered appropriate from time to time.

**11. Assessment**

On an annual basis the Board shall follow the process established by the Corporate Governance Committee of the Board for assessing performance and effectiveness for the Board.

**INNERGEX**

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