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northlandpower.ca

## MANAGEMENT INFORMATION CIRCULAR – APRIL 15, 2015

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## INTRODUCTION

**This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Northland Power Inc. (the “Corporation”)** for the Annual Meeting of shareholders of the Corporation to be held at the TSX Conference Centre, Exchange Tower, 130 King Street West, Toronto, Ontario, on May 19, 2015 at 2:00 p.m. (Toronto time).

Except where otherwise indicated, this Management Information Circular contains information as of the close of business on March 31, 2015.

The solicitation, by the management of the Corporation, will be made primarily by mail, supplemented possibly by telephone or other personal contact by regular employees of the Corporation or its Subsidiaries. The cost of the solicitation will be borne by the Corporation.

The accompanying form of proxy is for use at the Meeting and at any adjournment or postponement thereof and for the purposes set forth in the accompanying Notice of Meeting.

All capitalized terms used in this Management Information Circular but not otherwise defined herein shall have the meanings set forth under the heading “Glossary of Terms” which follows at page 26.

In this Management Information Circular, any references to “**Corporation**” or “**Northland**” refer to Northland Power Inc. and when used in a historical context prior to the Arrangement on January 1, 2011 refer to Northland Power Income Fund.

### Non-IFRS Measures

This Management Information Circular includes references to Northland’s adjusted EBITDA, a measure not prescribed by IFRS. Adjusted EBITDA, as presented, may not be comparable to similar measures presented by other companies. These measures should not be considered alternatives to net income, or other measures of financial performance calculated in accordance with IFRS. Rather, these measures are provided to complement IFRS measures in the analysis of Northland’s results of operations from management’s perspective. Management believes that adjusted EBITDA is a widely accepted financial indicator used by investors and securities analysts to assess the performance of a company, including its ability to generate cash through operations.

Readers should refer to *Section 5: Consolidated Results* and *Section 6: Equity, Liquidity and Capital Resources* in Northland’s Management’s Discussion & Analysis in the 2014 Annual Report for an explanation of adjusted EBITDA and a reconciliation of Northland’s reported adjusted EBITDA to its consolidated income (loss).

## GENERAL PROXY MATTERS

### Appointment, Time for Deposit and Revocability of Proxy

The persons named in the enclosed form of proxy are officers of the Corporation. **A Voting Shareholder who wishes to appoint some other person (who need not be a Voting Shareholder) to represent him or her at the Meeting may do so by inserting such person’s name in the blank space provided in the form of proxy and striking out the names of the persons specified, or by completing another proper form of proxy.** A proxy to be used at the Meeting must be delivered or mailed to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 and received no later than 2:00 p.m. on May 15, 2015 or two business days before the time of any adjournment of the meeting. A Voting Shareholder who has given a proxy may revoke

the proxy by an instrument in writing executed by the Voting Shareholder or by his, her or its attorney authorized in writing or, if the Voting Shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited at such office of Computershare, at any time up to 2:00 p.m. on May 15, 2015 or two business days preceding the time of any adjournment thereof, at which the proxy is to be used, or in any other manner permitted by law. **All Common Shares are held by Beneficial Common Shareholders under the book-based system. Accordingly, Beneficial Common Shareholders should refer to the directions for voting at “Voting of Common Shares – Advice to Beneficial Holders of Securities”.**

### **Exercise of Discretion by Holders of Proxies**

The form of proxy forwarded to Voting Shareholders with the Notice of Meeting and this Management Information Circular provides the Voting Shareholder with an opportunity to specify that the Voting Shares registered in his, her or its name shall be voted for or withheld from voting in respect of the matters to be considered at the Meeting. On any ballot that may be called for, the Voting Shares represented by proxies in favour of the Board of Directors’ nominees will be voted for or withheld from voting, in accordance with the specifications made by Voting Shareholders in the manner referred to above. In respect of proxies in which Voting Shareholders have not specified the manner of voting, the Voting Shares represented by proxies in favour of the persons named in the enclosed form of proxy will be voted **FOR** the resolutions.

The form of proxy confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. The Board of Directors knows of no matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters that are not now known to the Board of Directors should properly come before the Meeting, the Voting Shares represented by proxies in favour of the Board of Directors’ nominees will be voted on such matter in accordance with the best judgment of the proxy nominee.

### **Meeting Resolutions**

Approval of any of the Meeting resolutions relating to items referred to under “Business of the Meeting” requires a majority of the votes cast at the Meeting on the particular matter.

### **Voting of Common Shares – Advice to Beneficial Common Shareholders**

**The information set forth in this section is of significant importance to holders of Common Shares, as none of such persons hold Common Shares in their own name.** Beneficial Common Shareholders should note that only proxies deposited by Common Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. All of the Common Shares are registered under the name of CDS & CO. (the registration name for CDS Clearing and Depository Services Inc.). CDS maintains books showing through which of its participants, such as investment dealers or brokers, the Common Shares are owned. Investment dealers and brokers maintain their own records showing the beneficial ownership of such Common Shares by the Beneficial Common Shareholders. Common Shares held by CDS can be voted only upon the instructions of the Beneficial Common Shareholder. Without specific instructions, CDS and its participants are prohibited from voting the Common Shares on behalf of the Beneficial Common Shareholders. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS are held. Therefore, Beneficial Common Shareholders cannot be recognized at the Meeting for purposes of voting their Common Shares in person or by proxy unless they comply with the procedure described below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Common Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and

provides its own return instructions, which should be carefully followed by Beneficial Common Shareholders in order to ensure that their Common Shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions (“**Broadridge**”). Broadridge typically prepares the Voting Form which it mails to the Beneficial Common Shareholders and asks Beneficial Common Shareholders to return the Voting Form directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Common Shareholder receiving a Voting Form cannot use that Voting Form to vote their Common Shares directly at the Meeting; the Voting Form must be returned to Broadridge well in advance of the Meeting in order for a Beneficial Common Shareholder to have its Common Shares voted.

**If you wish to vote in person at the Meeting, you must insert your own name in the space provided for the appointment of a proxy holder on the enclosed form of proxy or Voting Form provided to you. By doing so, you are instructing CDS to appoint you as proxy holder. Then follow the signing and return instructions provided on the enclosed form of proxy or Voting Form. You do not need to complete the remainder of the form of proxy or Voting Form, as you will be voting at the Meeting. Please present yourself at the Meeting to a representative of Computershare in order to obtain further instructions on how to vote.**

### **Voting Securities**

As of the close of business on March 31, 2015, the Corporation had outstanding 167,744,714 Common Shares and 1,000,000 Class A Shares each of which carries the right to one vote at meetings of the Voting Shareholders. The outstanding Series 1 Preferred Shares and Series 3 Preferred Shares do not carry the right to vote at meetings of Voting Shareholders and the holders thereof are not entitled to notice of the Meeting. The Board of Directors has fixed a record date of April 14, 2015 for the purpose of determining Voting Shareholders entitled to receive notice of the Meeting. Only persons registered as holders of Common Shares and Class A Shares on the books of the Corporation or Beneficial Common Shareholders as of the close of business on April 14, 2015 are entitled to receive notice of and to vote at the Meeting. The failure of any Voting Shareholder to receive notice of the Meeting does not deprive the Voting Shareholder of the right to vote at the Meeting.

### **Principal Holders of Voting Securities**

As of the close of business on March 31, 2015, all of the Common Shares were registered in the name of CDS, which holds such Common Shares on behalf of the Beneficial Common Shareholders, and all of the Class A Shares were registered in the name of NPHI. To the knowledge of the Directors, no person or company beneficially owns, directly or indirectly, or controls or directs 10% or more of the voting securities of the Corporation, except for James C. Temerty C.M., the Chair of the Corporation, who indirectly beneficially owns, or has control or direction over, 54,684,217 Common Shares, and 1,000,000 Class A Shares, collectively representing approximately 33% of the outstanding Voting Shares.

### **Quorum for the Meeting**

At the Meeting, a quorum shall consist of two or more individuals present in person either holding personally or representing as proxies not less than 10% of the issued and outstanding Voting Shares. If a quorum is not present at the Meeting within one half hour after the time fixed for the holding of the Meeting, it shall stand adjourned to such day being not less than fourteen days later and to such place and time as may be appointed by the Chairman of the Meeting. At such meeting, the Voting Shareholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original Meeting in accordance with the accompanying Notice of Meeting.

## **BUSINESS OF THE MEETING**

### **Consolidated Financial Statements**

The consolidated financial statements of the Corporation for the fiscal year ended December 31, 2014, together with the report of the auditors thereon will be submitted to the Meeting. The consolidated financial statements are included in the annual report of the Corporation for the fiscal year ended December 31, 2014, which accompanies this Management Information Circular. These documents are filed on SEDAR and can be reviewed and obtained from the website [www.sedar.com](http://www.sedar.com) under Northland's profile. Upon request, the Corporation will promptly provide a copy of the annual report free of charge to a Voting Shareholder.

### **Election of Directors**

The Articles of the Corporation provide that the Corporation shall have between three and nine Directors. The Voting Shareholders have empowered the Directors to determine the number of Directors (within the range of three and nine Directors) by resolution of the Directors.

Mr. Sean Durfy resigned as a director of Northland as of January 8, 2014 and commenced his role as President and Chief Development Officer of Northland. He had been a director of Northland since 2011 and was a member of the Compensation Committee up until the time of his resignation.

The Board of Directors is presently composed of seven directors, consisting of James C. Temerty, John N. Turner, Marie Bountrogianni, Peter V. Harder, Linda L. Bertoldi, Barry Gilmour and Russell Goodman. Messrs. Gilmour and Goodman were first elected to the Board of Directors at the annual meeting of the Corporation on May 21, 2014.

The Directors have determined that the number of directors of the Corporation to be elected at the Meeting is seven. Although NPHI has the right to appoint three of the Directors, it has advised that it does not intend to exercise this right at the Meeting.

It is proposed that each of the persons mentioned below to be elected as a Director will serve until the close of the next annual meeting of the Corporation or until his or her successor is elected or appointed. Voting Shares represented by proxies in favour of the individuals named in the enclosed form of proxy will be voted in favour of the election of these nominees as Directors, unless a Voting Shareholder has specified in his, her or its proxy that his, her or its Voting Shares are to be withheld from voting in respect of any particular Director or Directors. The Corporation does not contemplate that any of the said nominees for election as Director will be unable to serve if elected, but should that occur prior to the Meeting, the persons named in the enclosed form of proxy may vote for another person nominated by the Directors at their discretion.

Pursuant to the Corporation's Majority Voting Policy, as required by the TSX, if a director nominee has more votes withheld than are voted in favour of him or her, such nominee must forthwith submit his or her resignation to the Board of Directors, effective on acceptance by the Board of Directors. The Board of Directors will refer the resignation to the Governance and Nominating Committee for consideration. The Board of Directors will promptly accept the resignation unless the Governance and Nominating Committee determines that there are extraordinary circumstances relating to the composition of the Board of Directors or the voting results that should delay the acceptance of the resignation or justify rejecting it. In any event, the resignation will be accepted (or in rare cases rejected) within 90 days of the meeting. The Majority Voting Policy does not apply to an election that is contested.

The following table shows the names and province of residence of all persons nominated for election as Directors at the Meeting, the number of each class of shares owned beneficially, directly or indirectly, by them, or over which they exercise control or direction, their principal occupations, and the year they first became Directors of the Corporation, where applicable, as well as information concerning committee membership.

Directors are required to acquire, over time, a number of Common Shares equivalent in value to their annual retainer.

<b>Name and Province of Residence</b>	<b>Positions and Offices held with the Corporation</b>	<b>Principal Occupation</b>	<b>Year Became Director<sup>(1)</sup></b>	<b>Number of Shares Beneficially Owned Directly or Indirectly<sup>(2)</sup></b>
<b>James C. Temerty C.M.</b> <sup>(3)(9)(11)(12)</sup> Ontario, Canada	Chair and Director	Chair of Northland	1997	54,684,217 Common Shares <sup>(3)</sup> 1,000,000 Class A Shares <sup>(4)</sup>
<b>The Right Honourable John N. Turner, Q.C.</b> <sup>(5)(7)(8)(11)</sup> Ontario, Canada	Lead Director	Partner, Kealy & Associates Inc. (consulting firm)	1997	1,015 Common Shares 5,399 DSUs
<b>Dr. Marie Bountrogianni</b> <sup>(5)(7)(9)(11)</sup> Ontario, Canada	Director	Dean of the Chang School at Ryerson University	2009	3,794 Common Shares
<b>V. Peter Harder</b> <sup>(5)(9)(10)(11)</sup> Ontario, Canada	Director	Senior Policy Advisor, Dentons Canada LLP (law firm)	2010	19,276 DSUs
<b>Linda L. Bertoldi</b> <sup>(7)(11)</sup> Ontario, Canada	Director and Secretary	Partner, Borden Ladner Gervais LLP (law firm)	2011	13,000 Common Shares
<b>Barry Gilmour</b> <sup>(9)(11)</sup> Ontario, Canada	Director	Corporate Director	2014	2,961 Common Shares 5,001 DSUs
<b>Russell Goodman</b> <sup>(5)(6)(11)</sup> Quebec, Canada	Director	Corporate Director	2014	5,600 Common Shares 2,152 DSUs

(1) The date shown reflects the date when the nominees first became a member of the governing body of a public predecessor of the Corporation: from July 16, 2009 to December 31, 2010, a trustee of the Fund, from July 1, 2003 to July 16, 2009, a trustee of NPIF Commercial Trust and from 1997 to June 30, 2003, a director of Iroquois Falls Corp.

(2) This information, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually, as of March 31, 2015.

(3) Of these 54,684,217 Common Shares, 53,732,041 Common Shares are held directly or indirectly by Mr. Temerty, 290,744 Common Shares are held by Mr. Temerty's wife, 127,217 Common Shares are held by Mr. Temerty's daughters and son-in-law and 534,215 Common Shares are held by the Temerty Family Foundation which Mr. Temerty directs.

(4) The Class A Shares are held indirectly by Mr. Temerty through NPHI.

(5) Member of the Audit Committee.

(6) Chair of the Audit Committee since May 2014.

(7) Member of the Governance and Nominating Committee.

(8) Chair of the Governance and Nominating Committee.

(9) Member of the Compensation Committee.

(10) Chair of the Compensation Committee.

(11) Member of the GemSee Special Committee.

(12) Chair of the GemSee Special Committee.

The following table summarizes, for each of the Directors, the number of board and committee meetings attended in the financial year ended December 31, 2014:

**NUMBER OF MEETINGS ATTENDED BY THE DIRECTORS**

	<b>Board</b>	<b>Audit Committee</b>	<b>Governance and Nominating Committee</b>	<b>Compensation Committee</b>	<b>Independent Directors</b>	<b>GemSee Special Committee<sup>(1)</sup></b>
<b>James C. Temerty C.M.</b>	14/14	n/a	n/a	6/6	n/a	12/12
<b>The Right Honourable John N. Turner, Q.C.</b>	13/14	6/6	5/5	n/a	7/7	n/a <sup>(2)</sup>
<b>Dr. Marie Bountrogianni</b>	14/14	6/6	4/5	6/6	7/7	n/a <sup>(2)</sup>
<b>V. Peter Harder</b>	14/14	6/6	n/a	6/6	7/7	10/12
<b>Linda L. Bertoldi</b>	14/14	n/a	5/5	n/a	n/a	12/12
<b>Barry Gilmour</b>	9/9 <sup>(3)</sup>	n/a	n/a	4/4 <sup>(3)</sup>	3/4 <sup>(3)</sup>	8/8 <sup>(3)</sup>
<b>Russell Goodman</b>	9/9 <sup>(4)</sup>	4/4 <sup>(4)</sup>	n/a	n/a	3/4 <sup>(4)</sup>	4/6 <sup>(4)</sup>
<b>Sean Durfy</b>	n/a	n/a	n/a	n/a	n/a	1/1 <sup>(5)</sup>

(1) A special committee of Directors formed in August 2013 to oversee the Gemini project and later expanded to oversee the Nordsee project following Northland's investment in Nordsee in August 2014 (the "GemSee Special Committee").

(2) Mr. Turner and Dr. Bountrogianni became members of the GemSee Special Committee in February 2015.

(3) Mr. Gilmour was elected to the Board on May 21, 2014 and became a member of the Compensation Committee and the GemSee Special Committee in May 2014.

(4) Mr. Goodman was elected to the Board on May 21, 2014 and became chair of the Audit Committee and a member of the GemSee Special Committee in May 2014.

(5) Mr. Durfy resigned as a director of Northland on January 8, 2014 and commenced his role as President and Chief Development Officer of Northland.

Messrs. Harder and Goodman are directors of the following other reporting issuers:

<b>Name</b>	<b>Name of Reporting Issuer</b>	<b>Name of Exchange/Market</b>
<b>V. Peter Harder</b>	Magna International Inc.	TSX
	IGM Financial Inc.	TSX
	Energizer Resources Inc.	TSX Venture Exchange
	Power Financial Corporation	TSX
<b>Russell Goodman</b>	Gildan Activewear Inc.	TSX, NYSE
	Metro Inc.	TSX
	Whistler Blackcomb Holdings Inc.	TSX

No other nominee for election as Director is a director of another reporting issuer.

## Compensation of Directors

In 2014, Mr. Temerty received \$250,000 for his contributions to Northland including serving as Chair. The compensation received by each of the other Directors is as follows. Each of the Directors received an annual fee of \$30,000 per Director in 2014. In addition to the annual fee, each Director received an additional \$1,500 in respect of each Directors' meeting attended in person or \$1,000 by telephone. Each Director who served on the Board of Directors as an Independent Director was paid an additional \$1,500 per Director in respect of each meeting of the Independent Directors attended in person or \$1,000 by telephone where the meetings required lengthy procedures. Where such meetings were associated with a board meeting and were relatively short, no compensation was paid. The Directors who served on the Audit Committee, Governance and Nominating Committee and Compensation Committee of the Corporation received an annual fee of \$5,000 per Director plus \$1,500 in respect of each Committee meeting attended in person or \$1,000 for each Committee meeting attended by telephone. The Directors who served on the GemSee Special Committee received an annual fee of \$10,000 per Director plus \$1,500 in respect of each Committee meeting attended in person or \$1,000 for each Committee meeting attended by telephone. The Directors who served as Chair of the Audit Committee and as Lead Director received \$15,000 each for serving in those capacities. The Director who served as Chair of the Governance and Nominating Committee received \$5,000 for acting in that capacity. The Director who served as Chair of the Compensation Committee received \$7,500 for acting in such capacity. All Directors were reimbursed for their respective out of pocket expenses in relation to their attendance at Directors' and committee meetings. Directors are entitled to receive their compensation as Directors in the form of DSUs under the DSU Plan (as described below). Director compensation matters are dealt with by the Compensation Committee.

The following table sets out all amounts of compensation provided to the directors of Northland for 2014 in their capacity as Directors:

<b>Name</b>	<b>Total Fees Earned (\$)</b>
<b>Linda L. Bertoldi</b>	83,000
<b>Marie Bountrogianni</b>	94,500
<b>Sean Durfy<sup>(1)(2)</sup></b>	1,000
<b>V. Peter Harder<sup>(2)</sup></b>	116,810
<b>James C. Temerty C.M.</b>	250,000
<b>The Right Honourable John N. Turner, Q.C.<sup>(2)</sup></b>	100,500
<b>Barry Gilmour<sup>(2)(3)</sup></b>	58,069
<b>Russell Goodman<sup>(2)(3)</sup></b>	59,056

(1) Mr. Sean Durfy resigned as a director of Northland on January 8, 2014 and commenced his role as President and Chief Development Officer of Northland.

(2) Fee amounts do not include dividend equivalent additional DSUs paid in accordance with the DSU plan.

(3) Messrs. Gilmour and Goodman were first elected to the Board of Directors at the annual meeting of the Corporation on May 21, 2014.



## DSU Plan for Directors

The DSU Plan was established to promote a greater alignment of interests between directors of Northland and its shareholders, by providing a means for Directors to accumulate a meaningful financial interest in Northland, commensurate with the responsibility, commitment and risk of directors; and to enhance Northland's ability to attract and retain qualified individuals with the experience and ability to serve as directors.

Pursuant to the DSU Plan, a Director is entitled to elect to receive all or any part of his or her annual compensation in the form of DSUs. The number of DSUs credited to a Director's account is determined by dividing the amount of the deferred annual compensation by the market value of the Common Shares less a discount (**the "Discount"**) of up to five percent on such market value, as may be approved at the discretion of the Board and equal to the same percentage and calculated in the same manner as the discount in effect pursuant to Northland's dividend reinvestment plan, if any. The DSUs are credited on the date that the Director's compensation would otherwise be payable and vest immediately upon being so credited. When dividends are paid on Common Shares, additional DSUs are credited to the Director as of the dividend payable date, based on multiplying the aggregate number of DSUs credited to the Director by the amount of the dividend per Common Share and dividing such product by the market value of the Common Shares less the Discount.

Upon a Director ceasing, for any reason, to hold any positions with Northland (**the "Termination Date"**) and any Subsidiary of Northland, all DSUs will be redeemed by the Corporation. A Director is not entitled to receive any amount prior to such date. A Director may elect, by providing a notice in writing to the Corporation prior to the Termination Date, that all earned DSUs be redeemed at a time subsequent to the Termination Date and prior to the end of the year following the year in which the Director's Termination Date occurs. Upon redemption, the Director is entitled to receive a cash payment equal in value to the number of earned DSUs as of the Termination Date multiplied by the market value per Common Share determined as at the Termination Date, less applicable withholding taxes.

The DSU Plan is administered by the Compensation Committee.

Certain directors have elected to receive DSUs *in lieu* of the cash compensation payable to them. The chart below shows the number of DSUs held by each director, valued at the share price for the Common Shares, as at December 31, 2014.

Name	Number of DSUs held as at December 31, 2014	Market Value of DSUs (\$)
Sean Durfy <sup>(1)</sup>	4,724	72,230
V. Peter Harder	17,603	269,150
The Right Honourable John N. Turner, Q.C.	4,782	73,117
Barry Gilmour	3,790	57,979
Russell Goodman	1,539	23,531

(1) Mr. Sean Durfy resigned as a director of Northland on January 8, 2014 and commenced his role as President and Chief Development Officer of Northland. DSUs held by Mr. Durfy were not redeemed by the Corporation as he continued to hold a position with Northland.

### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation and other than as described below, none of the persons nominated for election as Directors at the Meeting: (a) is, as at the date of this Management Information Circular, or has been, within the 10 years before the date of this Management Information Circular, a director, chief executive officer or chief financial officer of any company that: (i) was subject to an Order that was issued while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the person 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 as director, chief executive officer or chief financial officer; (b) is, as at the date of this Management Information Circular, or has been within 10 years before the date of this Management Information 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 the 10 years before the date of this Management Information 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 person.

Mr. Harder resigned from the board of directors of Arise Technologies Corporation in June 2011. In December 2011, Arise Technologies Corporation ("**Arise**") filed a Notice of Intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) and PricewaterhouseCoopers Inc. was named as the trustee under the Notice of Intention. Arise was deemed to have made an assignment into bankruptcy on April 11, 2012.

To the knowledge of the Corporation, none of the persons nominated for election as Directors at the Meeting, nor any personal holding company thereof owned or controlled by them: (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### Interest of Management and Others in Material Transactions

No proposed director of the Corporation or any associate or affiliate of a proposed director of the Corporation has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation's most recently completed financial year, or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its Subsidiaries.

### Appointment of Auditors

It is intended that the Voting Shares represented by proxies in favour of the persons shown in the enclosed form of proxy will be voted in favour of the reappointment of Ernst & Young LLP, Chartered Accountants, Licensed Public Accountants, of Toronto, Ontario, as auditors of the Corporation, unless a Voting Shareholder has specified in his, her or its proxy that his, her or its Voting Shares are to be withheld from voting in the appointment of auditors for the Corporation. Ernst & Young LLP is currently the auditor of the Corporation and has served as the auditor of Northland since April 3, 1997.

## Statement of Executive Compensation

### Compensation Discussion and Analysis

The guiding principles of Northland's compensation arrangements for executives and other senior employees are the alignment of the interests of executives and employees with those of shareholders and the need to attract and retain highly qualified talent with the requisite skills, industry knowledge and experience. In 2014, compensation for the Named Executive Officers as determined by the Compensation Committee primarily consisted of salary, annual cash bonuses and Deferred Rights.

#### Salaries

Base salaries provide annual earnings that are reasonably competitive and reflective of the Corporation's results and circumstances. For 2014, the Compensation Committee determined that a 2% inflation-based adjustment to 2013 compensation was appropriate.

#### Bonuses

For Messrs. Brace, Bradley, Durfy, Shadbolt and Mantenuto, annual cash bonuses were based on performance of the Corporation against specific short-term financial, development and operations targets as well as on a discretionary evaluation of personal performance and contribution. The Compensation Committee evaluated results for 2014 and determined the appropriate bonuses for Messrs. Brace, Bradley, Mantenuto, Durfy and Shadbolt. The annual bonus target for Messrs. Brace, Bradley, Mantenuto and Durfy were 50% of annual base salary and 30% of annual base salary for Mr. Shadbolt. Mr. Anderson was eligible for a bonus based on a target of 50% and pro-rated for the year as he retired prior to the end of the fiscal year. Three-quarters of the bonus targets was assessed on financial and operational factors and one quarter was discretionary and based on personal performance. The specific financial and operational factors are allocated based on meeting the following targets: the annual adjusted EBITDA (a non-IFRS measure) target of \$350 million, total annual shareholder return as compared to a peer group of companies, and annual project development targets through the signing of new power purchase agreements for 250MW. Mr. Brace and Mr. Durfy received a bonus of 50% of base salary for 2014, Mr. Bradley and Mr. Mantenuto received a bonus of 53.6% of base salary for 2014, Mr. Shadbolt a bonus of 28.4% of base salary for 2014 and Mr. Anderson a pro-rated bonus based on 53.6% of base salary.

#### Equity Compensation – Deferred Rights

Long-term compensation through the award of Deferred Rights to the Named Executive Officers and other qualifying employees under the Northland LTIP is intended to reward the creation of long-term shareholder value by assessing the profit created through the development, financing, construction and operation of electricity generation facilities which, when operational, will deliver the long-term stable cash flows necessary to support both further development activities and Northland's annual dividend and to closely align management and shareholder interests.

Deferred Rights granted to Named Executive Officers in 2011 vest based upon the expected value created for shareholders from Qualifying Projects. Deferred Rights were granted for services provided by the recipient in the year of grant and subsequent years of service. The measure of value creation is Development Profit, which is essentially the fair market value of a project less the actual capital costs incurred to develop and construct that project and certain non-recoverable development costs. The projects for which the Deferred Rights may vest are among those that were defined as Qualifying Projects at the time of the Merger. Each Named Executive Officer's Deferred Rights vest in proportion to the attribution of an additional \$350 million of Development Profit in respect of Qualifying Projects in excess of the first \$100 million of Development Profit.

The Deferred Rights associated with each Qualifying Project vest 75% at the time commercial operations commence and 25% up to one year later when the operational performance of the project has been demonstrated. At each of these milestones for each project, the Development Profit is assessed and the number of Deferred Rights that vest is

approved by the Compensation Committee. If it is determined to be appropriate by the Compensation Committee in light of corporate or market conditions, the vesting dates may be delayed by up to one year. No Deferred Rights may vest for Qualifying Projects that have not achieved financial close by October 2016.

Recommendations for grants under the Northland LTIP (and other executive compensation) are developed by the Chief Executive Officer for senior management and presented to the Compensation Committee for its consideration and possible recommendation to the Board of Directors. Compensation for the Chief Executive Officer is determined by the Compensation Committee and recommended to the Board of Directors for its consideration. Three of the four members of the Compensation Committee are independent Directors, while the fourth is the Chair of the Board of Directors.

The Compensation Committee and the Board of Directors have implicitly considered the risk that unprofitable projects might be pursued and have sought to mitigate such risk through the Board of Directors' oversight and approval of projects under development once expenditures and commitments are expected to exceed pre determined levels and on the basis that Deferred Rights only vest, or are awarded, once approved projects achieve, first, commercial operations and second, satisfactory operational performance as described above. The number of Deferred Rights that vest is based on the specific and actual Development Profit attributable to each project once actual project costs and performance are known.

The Compensation Committee has discretion to determine the method it wishes to use for the assessment of Development Profit and the subsequent vesting of the Deferred Rights.

In 2013, a second, new Deferred Rights program was established for projects and activities other than the projects or portions of projects or acquisitions already subject to the 2011 program. The 2013 program provides that Common Shares or cash payments may be awarded based on Development Profit which arise from new projects or acquisitions which are developed or acquired by Northland. Awards may be made as to 25% as at Financial Close, 55% when commercial operations commence and 20% upon proof of performance. The total number of Common Shares available for distribution in respect of a particular project is, generally, based upon the price of the Common Shares, as at the date the power purchase agreement for the project is signed, and the development profit determined for the project/acquisition. Development Profit is calculated based on a fair market value calculation of the particular project/acquisition at the relevant milestone.

The Compensation Committee also has discretion to grant Deferred Rights and set the vesting criteria over a maximum three year period for such Deferred Rights to attract and retain executives.

#### Independent Compensation Consultant

Early in 2014, the Compensation Committee decided to undertake a review of the executive compensation programs and having the authority to retain an independent compensation consultant to provide advice on compensation related matters engaged Hugessen Consulting Inc. ("**Hugessen**").

Hugessen performed a review of the Company's executive compensation programs including: compensation philosophy, peer group, base salaries, short-term and long-term incentive compensation. Hugessen provided recommendations to the Compensation Committee on the various components of the Company's executive compensation programs. The Committee considered these recommendations, and determined that no changes to the executive compensation programs would be made in 2014.

All of the Compensation Committee recommendations to the Board with respect to the amount or form of executive and director compensation are made by the Compensation Committee alone. Those recommendations may reflect factors and considerations other than the information and advice provided by Hugessen.

In 2015, the Committee will continue its review of the executive compensation program, and determine if any changes are warranted.

### Management Consultant

Towers Watson, the Canadian division of Towers Watson & Co. (“**Towers Watson**”), were retained in 2014 by management to provide compensation advice and other related services to the Compensation Committee as part of this compensation program review.

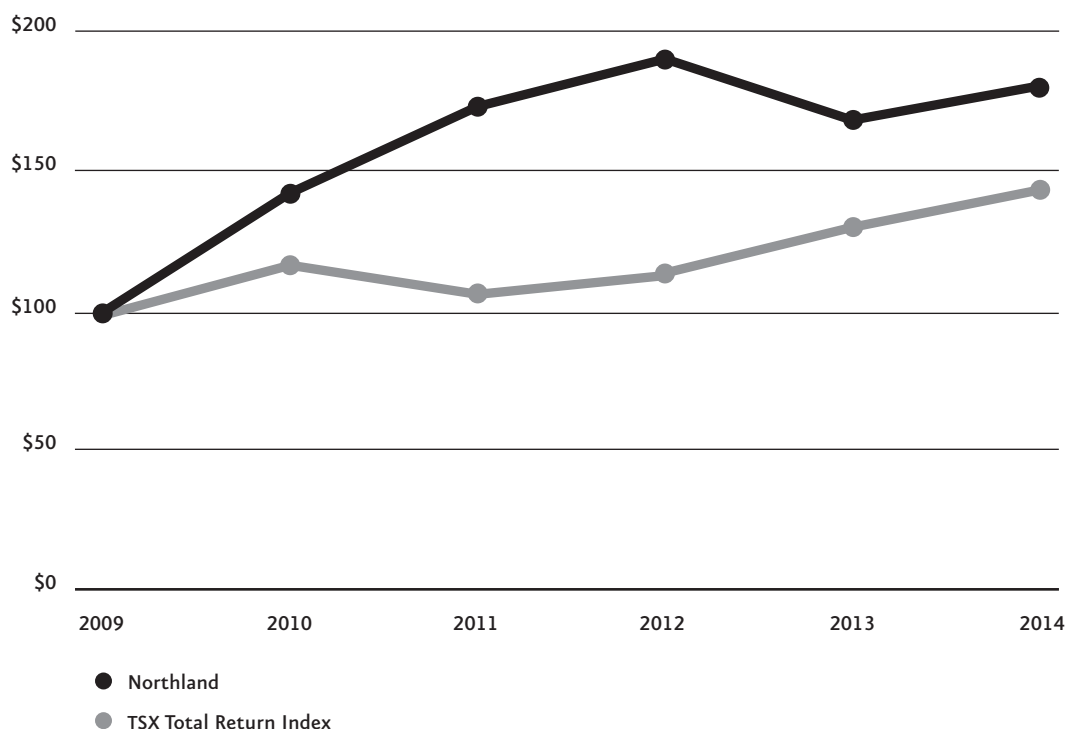
In 2015, the Committee will complete the executive compensation program review and determine if any changes are warranted.

### Compensation Consultant Fees

Consultant	Type of Work	2014 Fees (\$)
Hugessen	Executive Compensation-Related Fees	197,345
Towers	Executive Compensation-Related Fees	60,473

### Performance Graph

The following graph compares the cumulative total return over the five years ended December 31, 2014 of the Common Shares (and prior to the Arrangement, the units of beneficial interest of the Fund designated as “Trust Units” under the trust indenture of the Fund dated July 16, 2009) against the cumulative total return of the S&P/TSX Total Return Index (assuming a \$100 investment was made on December 31, 2009 and the reinvestment of any distributions).



The Compensation Committee believes that the positive performance of Northland as compared to the TSX Total Return Index is reflected in Executive Compensation.

## Summary Compensation Table

The following table sets forth the annual and long-term compensation for each of Northland's three most recently completed financial years of the Chief Executive Officer, the Chief Financial Officer and each of the three other most highly compensated executive officers of Northland.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Non-equity		Total compensation (\$)
				incentive compensation plan awards (\$)	All other compensation <sup>(1)</sup> (\$)	
John W. Brace Chief Executive Officer	2014	417,708	571,459	208,854	31,454	1,229,475
	2013	409,859	—	203,843	8,676	622,378
	2012	397,650	—	99,450	9,868	506,968
Paul Bradley Chief Financial Officer	2014	321,314	340,623	172,224	2,211	836,372
	2013	314,968	—	156,802	615	472,385
	2012	305,885	—	107,100	2,004	414,989
Sam Mantenuto Vice Chair and Chief Operating Officer	2014	363,084	359,449	194,613	12,923	930,069
	2013	355,914	—	168,282	12,826	537,022
	2012	345,650	—	86,445	12,432	444,527
Sean Durfy <sup>(2)</sup> President and Chief Development Officer	2014	381,539	2,400,000 <sup>(4)</sup>	200,000	71,442	3,052,981
	2013	—	—	—	—	—
	2012	—	—	—	—	—
Tony Anderson <sup>(3)</sup> Chief Investment Officer	2014	205,473	763,854	110,133	19,125	1,098,585
	2013	322,473	—	174,663	12,826	509,962
	2012	244,763	—	43,223	12,431	300,419
Michael Shadbolt Vice President, General Counsel	2014	321,314	261,624	91,285	11,336	685,559
	2013	314,968	—	77,534	11,239	403,741
	2012	244,765	—	68,850	12,564	387,299

(1) Includes parking, RRSP contributions, medical and life insurance premiums, service recognition gifts.

(2) Mr. Sean Durfy commenced his role as President and Chief Development Officer of Northland on January 8, 2014.

(3) Mr. Tony Anderson retired as Chief Investment Officer in September 2014.

(4) Mr. Sean Durfy received a one-time grant of deferred rights that vest over three years subject to active employment on the vesting dates.

## Outstanding Share-Based Awards

The following table shows for each Named Executive Officer all share-based awards outstanding as at the end of the financial year ended December 31, 2014.

<b>SHARE-BASED AWARDS</b>			
Name	Number of shares or units of shares that have not vested Deferred Rights <sup>(1)</sup>	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
<b>John W. Brace</b>	11,758	179,780	–
<b>Paul Bradley</b>	2,816	43,057	–
<b>Sam Mantenuto</b>	9,406	143,818	–
<b>Sean Durfy<sup>(2)</sup></b>	106,998	1,635,999	–
<b>Tony Anderson<sup>(3)</sup></b>	9,406	143,818	–
<b>Michael Shadbolt</b>	–	–	–

(1) These represent the maximum number of Common Shares which as of December 31, 2014 may be issued pursuant to the Deferred Rights issued under the Northland LTIP.

(2) Mr. Sean Durfy commenced his role as President and Chief Development Officer of Northland on January 8, 2014.

(3) Mr. Tony Anderson retired as Chief Investment Officer in September 2014.

## Incentive Plan Awards Earned

The following table shows for each Named Executive Officer the aggregate dollar value realized upon vesting of share-based awards and the non-equity incentive plan compensation earned during the financial year ended December 31, 2014.

<b>INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR</b>		
Name	Share-based awards – Value vested during the year (\$)	Non-equity incentive compensation plan award – Value earned during the year (\$)
<b>John W. Brace</b>	2,652,972	208,854
<b>Paul Bradley</b>	839,095	172,224
<b>Sam Mantenuto</b>	2,024,656	194,613
<b>Sean Durfy<sup>(1)</sup></b>	–	200,000
<b>Tony Anderson<sup>(2)</sup></b>	2,429,062	110,133
<b>Michael Shadbolt</b>	261,624	91,285

(1) Mr. Sean Durfy commenced his role as President and Chief Development Officer of Northland on January 8, 2014.

(2) Mr. Tony Anderson retired as Chief Investment Officer in September 2014.

The following table shows for each Named Executive Officer who remain employed by Northland as at December 31, 2014, the number of each class of shares of Northland owned beneficially, directly or indirectly, by them, or over which they exercise control or direction.

Name	Number of Common Shares Beneficially Owned Directly or Indirectly <sup>(1)</sup>
<b>John W. Brace</b>	1,502,026
<b>Paul Bradley</b>	62,095
<b>Sam Mantenuto</b>	1,051,383
<b>Sean Durfy</b>	27,001 <sup>(2)</sup>
<b>Michael Shadbolt</b>	4,489 <sup>(3)</sup>

(1) This information, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually, as of March 31, 2015.

(2) In addition, Mr. Durfy owns 108,800 Deferred Rights and 4,724 DSUs.

(3) Of these 4,489 Common Shares, 3,775 are held by Mr. Shadbolt and 714 are held by Mr. Shadbolt's wife.

Officers and directors are permitted to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the officer or director.

#### Termination and Change of Control Benefits

No Named Executive Officer, other than Mr. Bradley, Mr. Shadbolt and Mr. Durfy, is entitled to any form of compensation as a result of termination or change of control of the Corporation. Under his employment agreement, Mr. Bradley is entitled to a lump sum payment equal to twelve months base salary, plus bonus payments to the date of termination in the absence of just cause and any entitlement under the Northland LTIP which has accrued up to the date of termination. If Mr. Bradley had been terminated in the absence of just cause on the last day of 2014, it is estimated that he would have been entitled to receive \$481,000. Such payments are subject to reduction based upon the commencement date of alternative employment.

Under his employment agreement, Mr. Durfy is entitled to a lump sum payment equal to twelve months base salary, plus bonus payments to the date of termination in the absence of just cause and any entitlement under the Northland LTIP which has accrued up to the date of termination. If Mr. Durfy had been terminated in the absence of just cause on the last day of 2014, it is estimated that he would have been entitled to receive \$572,000. In addition, under his employment agreement, Mr. Durfy is entitled to accelerated vesting of certain outstanding Deferred Rights in the event of a change in control and employment termination prior to January 8, 2017 and certain cash payments in the event in of a change in control and employment termination prior to January 8, 2019. If a change of control occurred on the last day of 2014, it is estimated Mr. Durfy would have been entitled to receive \$246,000. These payments are determined based on value created for the issued and outstanding common shares at January 8, 2014 and are payable either as a lump sum upon employment termination or vest 50% when the change in control is completed and 50% at the end of two years after the change in control, provided Mr. Durfy is actively employed during that period. In the event of employment termination during that two-year period, the outstanding unvested payment will be made. In the event there is no change in control prior to January 8, 2019, Mr. Durfy is entitled to receive a lump sum cash payment equivalent to one-half of the cash payment he would have been entitled to receive had his employment been terminated as a result of a change in control.



Under his employment agreement, Mr. Shadbolt is entitled to a lump sum payment equal to twelve months base salary, plus certain bonus payments to the date of termination in the absence of just cause and any entitlement under the Northland LTIP which has accrued up to the date of termination. If Mr. Shadbolt had been terminated in the absence of just cause on the last day of 2014, it is estimated that he would have been entitled to receive \$418,000. Such payments are subject to reduction based upon the commencement date of alternative employment.

#### Indebtedness of Directors and Executive Officers

None of the Directors or executive officers of the Corporation is indebted to the Corporation.

### **Governance Disclosure**

The following summary has been approved by the Governance and Nominating Committee and describes the Corporation's approach to corporate governance in relation to the CSA Guidelines and as required by the Disclosure Rule.

#### Role of the Board of Directors

The Board of Directors is the central governing body of the Corporation with full, absolute and exclusive power, control and authority over, and management of, the property, assets, affairs and undertakings of the Corporation. The Articles provide that the Corporation shall have a minimum of three and a maximum of nine directors.

#### Director Independence

The CSA Guidelines recommend that boards be made up of a majority of independent directors. Each member of the Board of Directors, except Mr. Temerty and Ms. Bertoldi, is independent for purposes of the Disclosure Rule. Mr. Temerty is not independent as he acts as Chair of the Board of Directors on more than a part-time basis. Ms. Bertoldi is not independent as she is a partner in a law firm which receives fees from Northland.

The Independent Directors, each of whom is independent of management, hold regularly scheduled meetings following each Board of Directors' meeting and other meetings as required at which Mr. Temerty and management of the Corporation are not in attendance. The Independent Directors held seven such meetings in 2014.

#### Chair and Lead Director

The CSA Guidelines recommend that boards have either a chair or a lead director who is independent for the purposes of the Disclosure Rule.

The Chair of the Board of Directors, Mr. Temerty, is not an Independent Director. Mr. Turner, an Independent Director, serves as Lead Director and Chair of the Governance and Nominating Committee. The responsibilities of the Chair and the Lead Director are set out in the Board Mandate, which is attached as Schedule A.

#### Board Mandate

The CSA Guidelines recommend that boards adopt a written mandate in which, among other things, they explicitly acknowledge responsibility for the stewardship of reporting issuers.

The Board of Directors adopted the Board Mandate based on the recommendation of the Governance and Nominating Committee. The full text of the Board Mandate is attached at Schedule A.

#### Position Descriptions

The CSA Guidelines recommend that boards develop position descriptions for the Chair of the Board of Directors, chairs of each committee and the Chief Executive Officer as well as to approve corporate goals and objectives that the Chief Executive Officer is responsible for meeting. The Directors' duties are outlined in the Board Mandate.

John W. Brace is the Chief Executive Officer of the Corporation. There is no written position description for the Chief Executive Officer; however, the Board of Directors expects the Chief Executive Officer to create a culture of integrity, performance and alignment with shareholder interests throughout the Corporation and its Subsidiaries. He is responsible for the overall financial performance of Northland, setting the vision, strategy, objectives, allocating human and financial capital and providing direction for the leadership and management to achieve the strategic objectives. The CEO is also responsible for fostering a culture of integrity throughout the organization and setting the tone for the standards and guiding principles that determine how Northland conducts business.

James C. Temerty, the Chair of the Board of Directors, provides advice and counsel to management of the Corporation on issues of importance to the Chief Executive Officer or the Board of Directors.

The Board of Directors adopted position descriptions for the Chair of the Board of Directors and the Chair of the Audit Committee, the Chair of the Governance and Nominating Committee and the Chair of the Compensation Committee which are incorporated into the Board Mandate and the Audit Committee Charter, the Governance and Nominating Committee Charter and the Compensation Committee Charter, respectively.

#### Orientation and Continuing Education

The CSA Guidelines recommend that comprehensive orientation programs for new directors and continuing education opportunities for all directors be instituted by reporting issuers.

The Corporation's management regularly provides information and copies of published reports concerning relevant industry and regulatory developments to the Directors as continuing education for the Directors and presentations are made at each meeting on key aspects of the Corporation's businesses and operations.

#### Code of Business Conduct and Ethics

The CSA Guidelines recommend the adoption of a written code of business conduct and ethics, applicable to directors, officers and employees of a reporting issuer.

The Board of Directors has adopted the Code which applies to all representatives, officers and Directors of each of the Corporation and all other entities established by the Corporation.

The Code is filed on SEDAR and can be reviewed and obtained from the website, [www.sedar.com](http://www.sedar.com) under the Corporation's profile. Upon request, the Corporation will promptly provide a copy of the Code free of charge to a Voting Shareholder.

The Board of Directors appointed Mr. Goodman, an Independent Director and Chair of the Audit Committee, as its representative with respect to the reporting of contraventions of the Code. Individuals who contravene, or deviate from, the Code, or who are aware of contraventions of or deviations from the Code, are required to report the matter to management of the Corporation or Mr. Goodman. The Code provides for the anonymous reporting of information and a prohibition on any retaliation with respect to reporting, in order to encourage ethical conduct. The Corporation has also established a Financial Integrity Policy with respect to the reporting of questionable auditing or accounting practices.

The Code requires individuals, including Directors, to advise management of the Corporation or Mr. Goodman if they believe that they might have a personal interest that may put them in a position of conflict. A Director who has a material interest in a matter before the Board of Directors is required to abstain from voting on the matter and may be required to absent himself or herself from the meeting while discussion of the issue takes place. In situations where a Director has a material interest in a matter to be considered by the Board of Directors, such Director may be required to absent himself or herself from the meeting while discussions, and voting, with respect to the matter taking place.

No waivers of, or departures from, compliance with the Code have occurred or been granted.

## Nomination of Directors

The CSA Guidelines recommend the institution of a nominating committee composed entirely of independent directors as well as a written charter with respect to the committee. The CSA Guidelines make recommendations with respect to the process that should be followed prior to nominating or appointing individuals as directors.

Mr. Turner, Ms. Bountrogianni and Ms. Bertoldi are the current members of the Governance and Nominating Committee with Mr. Turner, Lead Director, serving as Chair of that Committee. Each member of the Governance and Nominating Committee, except Ms. Bertoldi, is an Independent Director. The Governance and Nominating Committee is responsible for identifying all proposed candidates for nomination as Directors having regard to the skills, competencies and experience that it considers appropriate for the Board of Directors to possess in order to effectively guide the long-term strategy and ongoing business of the Corporation.

## Compensation Committee

The CSA Guidelines recommend the institution of a compensation committee composed entirely of independent directors as well as a written charter with respect to the committee. The CSA Guidelines make recommendations with respect to the responsibilities of a compensation committee.

The Board of Directors adopted the Compensation Committee Charter based on the recommendation of the Compensation Committee. The Charter sets out procedures, responsibilities, composition and authority of the Compensation Committee. Messrs. Harder, Gilmour and Temerty and Dr. Bountrogianni are the current members of the Compensation Committee with Mr. Harder serving as Chair of that Committee. Each member of the Compensation Committee, except Mr. Temerty, is an Independent Director. Meetings of the Compensation Committee are held at such times as it deems necessary to fulfill its responsibilities. The Compensation Committee is responsible for reviewing and approving Northland's compensation strategy, evaluating the activities of the Chief Executive Officer and determining his or her compensation, monitoring the compensation of Directors and senior officers of the Corporation, the approval of grants of awards under the Northland LTIP, reviewing and approving employment agreements, severance agreements and retirement agreements and other compensation arrangements.

As secretary of the Treasury Board of Canada, Mr. Harder was responsible for executive compensation and collective bargaining for members of the public service. Mr. Harder also serves as the chair of the compensation committees for two other non-public entities and is a member of the compensation committee for two other public entities.

Through her roles as a former cabinet minister and the former President and Executive Director of the Royal Ontario Museum's Board of Governors, Dr. Bountrogianni has extensive managerial experience and executive experience with an emphasis on public accountability.

As a former senior executive from the Bank of Montreal Financial Group, including Group Head, Technology and Operations, Mr. Gilmour has extensive business, management and senior executive experience. His responsibilities included, but were not limited to, development of all information technology solutions and applications, as well as the operation of computer systems and communications networks.

Mr. Temerty founded Northland Power Inc. in 1987 as the chief executive officer and subsequently became the Chair of Northland Power Inc. with direct responsibility for determining compensation of senior management and other employees. Mr. Temerty has an in-depth knowledge of the company, its personnel and the electricity industry. Prior to forming Northland Power Inc., Mr. Temerty had extensive business and managerial experience through owning and operating a chain of ComputerLand Stores and holding management positions at IBM. Mr. Temerty also served in leadership roles at Softchoice Corporation.

As Mr. Temerty is not independent, the Independent Directors who are members of the Compensation Committee, make final recommendations concerning Mr. Temerty's compensation in order to ensure an objective process for determining compensation.

## Regular Board Assessments

The CSA Guidelines require that boards, committees and individual directors should be regularly assessed regarding their effectiveness and contribution.

The Governance and Nominating Committee, under the direction of Mr. Turner, the Lead Director and Chair of the Governance and Nominating Committee, is responsible for assessing the performance of the Board of Directors, its committees and individual Directors.

Mr. Turner as Lead Director has typically reviewed with each individual Director that Director's individual performance on the Board of Directors and his evaluation of the performance of the Board of Directors as a whole. The Governance and Nominating Committee then reviews the assessments conducted by the Lead Director of the performance of individual Directors and of the Board of Directors as a whole.

## Other Board Committees

The Board of Directors currently has no standing committees other than the Audit Committee, the Governance and Nominating Committee and the Compensation Committee. A special committee of Directors was formed in August 2013 to monitor Northland's investment in the Gemini project. The role of this committee was expanded in August 2014 to monitor Northland's investment in the Nordsee project. Since its formation, the special committee, now known as the GemSee Special Committee, has met regularly with senior management of Northland to review the progress of the Gemini project and later the Nordsee project and such projects' development and financing activities. All of the Directors are currently members of the GemSee Special Committee.

Given the small size of the Board of Directors, the Directors have decided not to establish any additional separate committees at this time and the Directors generally operate as a committee of the whole. However, where it is appropriate to operate through a committee other than the Audit Committee, the Governance and Nominating Committee or the Compensation Committee, the committee will be composed of a majority of Independent Directors.

## Audit Committee

The Board of Directors has established an Audit Committee comprised entirely of Independent Directors. Details regarding the Audit Committee, its members and their responsibilities are provided in the Corporation's AIF. The text of the Audit Committee Charter is contained at Schedule "A" to the AIF. The AIF is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Corporation's profile. Upon request, the Corporation will promptly provide a copy of the AIF free of charge to a shareholder.

## Director Tenure

It is proposed that each of the persons elected as a Director at the Meeting will serve until the close of the next annual meeting of the Corporation or until his or her successor is elected or appointed. The Board has not adopted a term limit for directors. The Board believes that the imposition of director term limits on a board may discount the value of experience and continuity amongst board members and runs the risk of excluding experienced and potentially valuable board members. The Board relies on an annual director assessment procedure in evaluating Board members and believes that it can best strike the right balance between continuity and fresh perspectives without mandated term limits. The Board has demonstrated the effectiveness of its approach, as five new directors (out of seven), or 71% of the Board, have been appointed since 2009.

## Diversity

The Governance and Nominating Committee's Charter encourages diversity in the composition of the Board and requires periodic review of the composition of the Board as a whole to recommend, if necessary, measures to be taken so that the Board reflects the appropriate balance of diversity, knowledge, experience, skills and expertise required for the Board as a whole. Accordingly, while the Board has not adopted a written policy nor targets relating to the identification and nomination of women directors, the Board does take into consideration a nominee's potential to contribute to diversity within the Board.

The Governance and Nominating Committee recognizes the value of diversity. Currently, the Board is comprised of two female directors (29%) and five male directors (71%).

The Corporation ensures the most talented and strongest leaders are recruited, developed and retained to achieve its business objectives and recognizes the value of diversity, including knowledge, experience, skills, expertise, gender and background in making its decisions. Women are represented in senior management of the Corporation, although none of the current executive officer positions are held by women. The Corporation does not have a target number of women executive officers given the relatively small size of its executive team and the need to consider a balance of criteria in each executive appointment and to make hiring and appointment decisions based on merit and the Corporation's needs and circumstances at the time.

## LONG-TERM INCENTIVE PLAN

Pursuant to the Northland LTIP, employees, officers and consultants are eligible for awards of contingent Deferred Rights, at the discretion of the Compensation Committee. Deferred Rights may be granted for services provided by the recipient in the year of grant and for prior or subsequent years of service. Awards of Deferred Rights may vest, as determined by the Compensation Committee, over a period of time contingent on the achievement of pre established performance criteria for vesting and the participant's continued employment. Alternatively, under the program adopted by the Compensation Committee in 2013, Deferred Rights may be granted and vest simultaneously, provided that criteria for the achievement of development profits on projects developed or acquired by the Corporation have been met. Upon vesting, each vested Deferred Right represents the right to receive one Common Share or a cash payment equal to the market value of one Common Share.

Performance criteria for vesting may include return to Common Shareholders, successful project development activities, financial performance or results of the Corporation or a business unit, operations results, market price of the Common Shares, or other criteria as determined by the Compensation Committee from time to time. The conditions for vesting may relate to all or a portion of the Deferred Rights in a grant and may be graduated such that different percentages of the Deferred Rights will become vested depending on the extent of satisfaction of one or more such conditions. As noted above, the criteria adopted by the Compensation Committee for the 2013 program are based on the achievement of Development Profit on projects developed or acquired by the Corporation.

Deferred Rights granted under the Northland LTIP are evidenced by a grant agreement, specifying the number of Deferred Rights and, as applicable, any vesting terms, performance periods and expiration of such Deferred Rights. The grant agreements will also specify any other terms and conditions which the Compensation Committee may in its discretion determine.

The Northland LTIP provides that up to 3,100,000 Common Shares will be issuable under the Northland LTIP. The maximum number of 3,100,000 issuable to insiders under the Northland LTIP (and any other security based compensation arrangements of the Corporation) represents 1.8% of the total number of outstanding Common Shares

and Class A Shares as of March 31, 2015. Subject to the foregoing limits, the Compensation Committee will have the discretion to impose limitations on grants to any particular individual in any given year and on aggregate grants to insiders in any given year.

The Northland LTIP provides that, in the event of the participant's termination of employment or service for reasons other than cause, all unvested Deferred Rights are forfeited, unless the Compensation Committee determines otherwise in its discretion, and all vested Deferred Rights will be settled as at the time of resignation, termination, retirement, death or permanent disability. The Compensation Committee will have the discretion to determine if, in the event of termination of employment or service for reasons other than cause, any or all of the participant's unvested Deferred Rights will not be forfeited and instead will become automatically vested or will vest pursuant to a vesting schedule determined by the Compensation Committee, or as the Compensation Committee may otherwise determine. In the event of termination for cause, all outstanding Deferred Rights will be forfeited.

The Compensation Committee will have the discretion to determine, on the occurrence of certain specified change of control events, if any or all unvested Deferred Rights will become immediately vested and, if applicable, if any unvested Deferred Rights will be converted into an acquiror's securities offered on terms substantially equivalent to those then applicable to such unvested Deferred Rights.

The Northland LTIP provides that the Compensation Committee will have the discretion to grant additional Deferred Rights to participants to reflect cash dividends paid by the Corporation on its Common Shares. In the event of a subdivision or consolidation of Common Shares or the declaration of a dividend payable in Common Shares or other change to the Common Shares, the number of Deferred Rights will be adjusted to reflect such subdivision, consolidation, dividend or change.

Deferred Rights granted under the Northland LTIP are not transferable or assignable, other than by operation of law.

The Northland LTIP provides that the prior approval of Common Shareholders is required for any amendment to the Northland LTIP that: (i) increases the maximum number of Common Shares issuable pursuant to the Northland LTIP; (ii) extends the last date on which Common Shares may be issued to insiders under the Northland LTIP; (iii) adds additional categories of participants to the Northland LTIP; (iv) extends the term of Deferred Rights beyond their original expiry date; (v) permits Deferred Rights to be assignable or transferable (other than by operation of law); and (vi) amends the amending provisions.

The Board of Directors approved amendments to the Northland LTIP, effective August 8, 2012, to provide that on the settlement of vested Deferred Rights, the Corporation has the discretion to either issue Common Shares or pay the holder a cash amount equal to the market value (determined based on the 5-day weighted volume average trading price). Further amendments were approved effective November 8, 2013, to: (a) provide that, for Deferred Rights granted after the date of such amendment, vesting and settlement pursuant to the Northland LTIP must occur by no later than December 31 of the third calendar year following the year of service for which such Deferred Rights were granted; and (b) to clarify that the amendments to the Northland LTIP approved by the Board of Directors on August 8, 2012, are effective only in respect of Deferred Rights granted after that date, and do not apply to the Deferred Rights granted prior to August 8, 2012 to the executives.

As at March 31, 2015, 108,800 Deferred Rights had been granted to executives and other participants pursuant to the Northland LTIP, representing less than 1% of the total number of outstanding Common Shares and Class A shares as at March 31, 2015.

## **ADDITIONAL INFORMATION**

Current financial information for the Corporation is provided in the Corporation's comparative consolidated financial statements and management's discussion and analysis for the most recently completed financial year. This information and additional information relating to the Corporation can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) under the Corporation's profile and on the Corporation's website at [www.northlandpower.ca](http://www.northlandpower.ca).

Copies of Northland's AIF, annual report, Annual MD&A, consolidated financial statements and this Management Information Circular may be obtained upon request to the Corporation's Investor Relations group. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder.

## **DIRECTORS' APPROVAL**

The contents and the distribution of this Management Information Circular have been approved by the Board of Directors.

**DATED** at Toronto, Ontario, on April 15, 2015.

A handwritten signature in black ink, appearing to read "John W. Brace", written in a cursive style.

**John W. Brace**  
Chief Executive Officer  
Northland Power Inc.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Management Information Circular:

“**\$**” means Canadian dollars, unless otherwise specified.

“**AIF**” means the annual information form of Northland dated February 23, 2015.

“**Annual MD&A**” means the management discussion and analysis of results of operations and financial condition of Northland for the year ended December 31, 2014.

“**Arrangement**” means the arrangement under the provisions of section 182 of the *Business Corporations Act* (Ontario) pursuant to which the Fund converted from an income trust to a corporation called Northland Power Inc., which owns all of the assets and is subject to all of the liabilities (other than intercompany assets and liabilities) of the Fund, and continues the business of the Fund and its Subsidiaries.

“**Articles**” means the articles of amalgamation of Northland, dated January 1, 2013.

“**Beneficial Common Shareholders**” means persons who hold their Common Shares through their investment dealer, broker or other intermediary.

“**Board of Directors**” or “**Directors**” means, at any time, the individuals who are the directors of the Corporation at such time.

“**Board Mandate**” means the written mandate of the Board of Directors.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**Class A Shares**” means the Class A shares in the capital of the Corporation.

“**Code**” means the written Code of Business Conduct and Ethics of the Board of Directors.

“**Common Shares**” means the common shares in the capital of the Corporation.

“**Common Shareholders**” means the holders of the Common Shares.

“**Computershare**” means Computershare Trust Company of Canada.

“**Corporation**” means prior to January 1, 2011, the Fund, and after January 1, 2011, the corporation resulting from the amalgamation of the Fund and certain subsidiaries of the Fund pursuant to the terms of the Arrangement, called Northland Power Inc.

“**CSA Guidelines**” means National Policy 58-201 – *Corporate Governance Guidelines*.

“**Deferred Rights**” means the deferred rights issued under the Northland LTIP.

“**Development Profit**” has the meaning given to it in the Articles.

“**Disclosure Rule**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**DSU**” means a deferred share unit issued under the DSU Plan.

“**DSU Plan**” means the deferred share unit plan for directors of Northland, dated August 8, 2012, as amended November 6, 2012.



**“Form of Proxy”** means the form of proxy distributed by the Corporation in connection with the Meeting.

**“Fund”** means Northland Power Income Fund, an unincorporated trust created under the laws of the Province of Ontario.

**“Gemini”** means the 600 MW off-shore wind project under development off the coast of the Netherlands in the North Sea.

**“GemSee Special Committee”** means a special committee of Directors formed in August 2013 to oversee the Gemini project and later expanded to oversee the Nordsee project following Northland’s investment in Nordsee in August 2014.

**“IFRS”** means the International Financial Reporting Standards.

**“Management Information Circular”** means this management information circular of the Corporation to be distributed to Voting Shareholders in respect of the Meeting.

**“Meeting”** means the annual meeting of shareholders of the Corporation to be held on May 19, 2015, and any adjournment(s) thereof.

**“Merger”** means the indirect acquisition by the Fund, on July 16, 2009, of all of the issued and outstanding shares of NPI from NPHI and the completion of related transactions, on the terms and conditions set forth in the share purchase agreement dated April 23, 2009, as amended.

**“MW”** means megawatts.

**“Named Executive Officers”** or **“NEOs”** means the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the Corporation (or its Subsidiaries) as specified in Form 51-102F6 – *Statement of Executive Compensation*.

**“Nordsee One”** means the 332 MW (282 MW net interest to Northland) offshore wind project located in the North Sea, in German territorial waters.

**“Northland”** means, prior to January 1, 2011, the Fund, and after January 1, 2011, the corporation resulting from the amalgamation of the Fund and certain subsidiaries of the Fund pursuant to the terms of the Arrangement, called Northland Power Inc.

**“Northland LTIP”** means the long-term incentive plan for officers, consultants and employees of Northland and its Subsidiaries, as amended or revised.

**“Notice of Meeting”** means the notice of the Meeting that accompanies this Management Information Circular.

**“NPHI”** means Northland Power Holdings Inc., a corporation incorporated under the laws of the Province of Ontario.

**“NPI”** means Northland Power Inc., a corporation incorporated under the laws of the Province of Ontario, which is a predecessor to the Corporation.

**“Order”** means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

**“Qualifying Project”** has the meaning given to it in the Articles.

**“Series 1 Preferred Shares”** means the cumulative rate reset preferred shares, series 1 of the Corporation.

**“Series 3 Preferred Shares”** means the cumulative rate reset preferred shares, series 3 of the Corporation.

**“Subsidiary”** has the meaning specified in Section 1.1 of National Instrument 45-106 – *Prospectus and Registration Exemptions*, as it exists on the date hereof.

**“TSX”** means the Toronto Stock Exchange.

**“Voting Form”** means a voting instruction form.

**“Voting Shareholders”** means the holders of Common Shares and Class A Shares.

**“Voting Shares”** means Common Shares and Class A Shares.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

**SCHEDULE "A"**  
NORTHLAND POWER INC.

**MANDATE FOR THE BOARD OF DIRECTORS**

As provided in its articles, Northland Power Inc. (**the "Corporation"**) shall have a board of directors (**the "Board"**) consisting of a minimum of five and a maximum of nine directors.

**DUTIES OF DIRECTORS**

The Board is responsible for the stewardship of the affairs of the Corporation and all of the corporations, trusts, partnerships and other entities, which may be owned or controlled by the Corporation (**the "Entities"**). The Board seeks to discharge such responsibility by supervising the actions of the management of the Corporation and the Entities.

The Board discharges its responsibilities both directly and through its committees, the Audit Committee, the Governance and Nominating Committee and the Compensation Committee. In addition to these standing committees, the Board may appoint ad hoc committees periodically to address certain issues of a more short-term nature. The Board's primary role is to oversee the performance of management in order to meet the Corporation's strategic objectives to enhance and preserve the business of the Corporation. Other principal duties include, but are not limited to, the following matters:

**Board Organization**

The Board will respond to recommendations received from the Governance and Nominating Committee, but retains responsibility for managing its own affairs, the selection of the Chair of the Board, candidates nominated for election to the Board (other than those elected by the Class A shareholders), committee and committee chair appointments, committee charters and director compensation.

The Board may delegate to Board committees matters for which it is responsible, including the approval of compensation of the Board, the conduct of performance evaluations of directors and oversight of internal controls systems, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities.

**Strategic Planning, Acquisitions and Investments**

The Board has responsibility to oversee a management-driven strategic planning process consistent with the investment objectives of the Corporation and the Board is responsible for approving on at least an annual basis, a strategic plan which takes into account the opportunities and risks of the business.

The Board is responsible for reviewing, discussing and approving all material contracts, transactions, acquisitions and investments.

The Board is responsible for providing input to management on emerging trends and issues and on management objectives and goals.

**Monitoring of Financial Performance and Financial Statements**

The Board is responsible for monitoring the financial performance of the Corporation and for approving the level of distributions paid by the Corporation.

The Board is responsible for approving the Corporation's audited consolidated financial statements, interim financial reports and the notes and Management's Discussion and Analysis accompanying such financial statements.

## **Risk Management**

The Board is responsible for the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to effectively monitor and manage such risks with a view to the long-term viability of the Corporation and achieving a proper balance between the risks incurred and the potential return to the Corporation.

## **Policies and Procedures**

The Board is responsible for:

- approving and monitoring compliance with all significant policies and procedures by which the business of the Corporation is operated
- approving policies and procedures designated to ensure that the Corporation and all Entities operate at all times within applicable laws and regulations and in accordance with ethical and moral standards.

## **Communications and Reporting**

The Board has approved and will revise from time to time as circumstances warrant a disclosure policy to address communications with shareholders, employees, financial analysts, investors, governments and regulatory authorities, the media and the Canadian and international communities.

The Board is responsible for:

- overseeing the accurate reporting of the financial performance of the Corporation to shareholders, other security holders and regulators on a timely and regular basis
- overseeing that the financial results of the Corporation are reported fairly and in accordance with generally accepted accounting standards and related legal disclosure requirements
- taking steps to enhance the timely disclosure of any other developments that have a significant and material impact on the Corporation
- approving all prospectuses, financial statements, the Corporation's annual information form and management information circular.

## **CHAIR OF THE BOARD**

### **Introduction**

The Board selects its chair (**the "Chair"**) from among its members to lead the Board in the course of its work. The Chair is responsible for the overall process involved in the work of the Board, as well as the development and effective performance of the Board.

The Chair provides advice and counsel to senior management of the Corporation on issues of importance to senior management or the Board.

### **Key Responsibilities of the Chair**

- reviews the preparation of the agendas for all Board and, if required, shareholder meetings
- presides at all Board and shareholder meetings
- ensures that the Board receives regular updates on all issues important to the Corporation
- ensures that Board members understand major issues, strategy and risks
- works closely with the chairs of the Board's committees to ensure that all of the committees' responsibilities are carried out
- works collectively and individually with members of the Board to ensure optimum performance of the Board.

## LEAD DIRECTOR

### Appointment

The lead director (**the “Lead Director”**) is appointed by the Board annually. The Lead Director must always be an independent director within the meaning of National Instrument 58-101, as amended from time to time.

### Responsibilities

The Lead Director shall:

- ensure that the Board functions independently of management
- ensure that independent directors have adequate opportunities to meet to discuss issues without representatives of management present
- chair separate meetings of the independent directors
- be available to Board members who have concerns that cannot be addressed through the Chair or meetings of the Board
- chair meetings of the Board in the absence of the Chair
- as requested by the Board act as a liaison between the Board and management
- in consultation with the Chair and management set the agenda for Board meetings
- ensure the Board has the requisite resources to support its work effectively
- ensure a process is in place to monitor legislated and best practices which relate to the responsibilities of the Board
- ensure the process is in place to regularly assess the effectiveness of the Board, its committees and individual Board members.

