Capital Power

Powered for Tomorrow

2020 Integrated Annual Report

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About this report

In this second Integrated Annual Report, we continue our shift to further align our financial and environmental, social and governance (ESG) reporting, and the combined impact on our total value creation. We believe this format provides the most comprehensive view of our priorities and performance, and our strategy for long-term success. Guided by this shift, elements of the conventional management's discussion and analysis, including the overview of our business and corporate structure, corporate strategy and outlook and targets for 2021, are now integrated into the Company Overview section on page 3 and Our Strategy section on page 6. The remainder of the former management's discussion and analysis has been incorporated within our Integrated Annual Report in the Business Report section beginning on page 50.

This report, which provides an overview of our performance from January 1, 2020, through December 31, 2020, includes a summary of our management approaches and highlights for select topics identified during our 2018 materiality assessment. It also includes our Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) content index and has been prepared in accordance with the GRI Standards (Core option). We have also included links to relevant SASB metrics related to Standards within the Infrastructure and Renewable Resources & Alternative Energy sectors.

All dollar figures are in Canadian funds.

KPMG assurance

Capital Power engaged KPMG LLP to provide independent, external assurance on select performance information contained within this report. The symbol ☑ throughout the report indicates metrics that have been assured for the 2020 year. KPMG's assurance statement can be found on page 109.

Additional reports

You can find our third Climate Change Disclosure Report, which is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), here. This report provides additional details about Capital Power's climate change governance, strategy, risk management, metrics and targets.

You can find our 2019 Integrated Annual Report on our corporate website.

Delivering Responsible Energy for Tomorrow

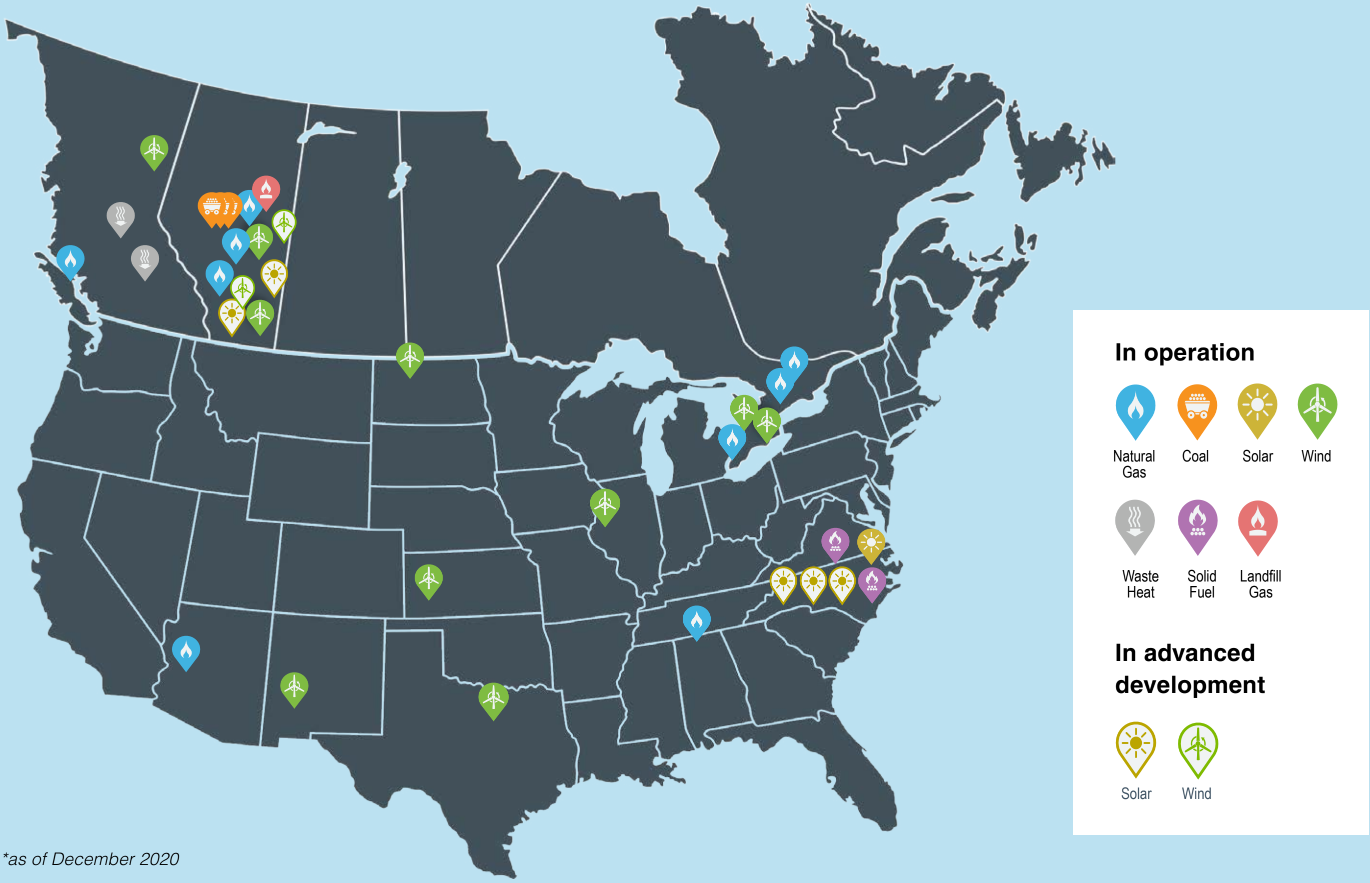
At Capital Power, we are delivering responsible energy for tomorrow. This is more than just words. We're not aiming at a moon shot – we are on a solid, transparent path toward our goal of net carbon neutral by 2050.

Through our world-class thermal and renewable assets and our steadfast focus on resilience, innovation and optimization, we are powering the reliable, affordable, low-carbon energy future required for the longevity of our global community.

But we're not doing it alone. We are working together – with our employees, local communities, investors, government, the scientific community, partners, Indigenous communities and other stakeholders.

As the world strives to transition to net zero, Capital Power is ready for tomorrow. We still have a long way to go. But we have a plan and are confident we will get there, together.

Capital Power at a Glance



*as of December 2020

Core Values

- Committed to safety
- Working together as a diverse and inclusive team
- Accountable to our stakeholders
- Delivering excellence

Vision

To power a sustainable future

Mission

To create dependable, cost-effective and future-ready electricity solutions

By the **Numbers**

6,500 MW
Generation capacity

827
Employees

28
Facilities

$130M
Net income

95%
Plant availability

$1,937M
Revenues and other income

19%
of generation capacity from renewable energy

$955M
Adjusted EBITDA[1]

Company Overview

Capital Power is a growth-oriented North American wholesale power producer with a strategic focus on sustainable energy headquartered in Edmonton, Alberta. We build, own and operate high-quality, utility-scale generation facilities that include renewables such as wind, solar and waste heat, and thermal such as natural gas and coal.[2] We have also made significant investments in carbon capture and utilization to reduce carbon impacts and are committed to be off coal in 2023.

Capital Power owns over 6,500 megawatts (MW) of power generation capacity at 28 facilities across North America. In addition, approximately 425 MW of owned renewable generation capacity and 560 MW of incremental natural gas combined cycle capacity, from the repowering of Genesee 1 and 2, is in advanced development in Alberta and North Carolina.

We welcome your feedback on our report at info@capitalpower.com

[1] *See Non-GAAP Financial Measures on page 51.*

[2] *The Company's power generation operations and assets are owned by Capital Power L.P. (CPLP), Capital Power L.P. Holdings Inc. and Capital Power (US Holdings) Inc., all wholly owned subsidiaries of the Company. In this report, any reference to the Company or Capital Power, except where otherwise noted or the context otherwise indicates, means Capital Power Corporation together with its subsidiaries.*

Joint Board Chair and CEO Letter

Our Pathway to a Low-carbon Future

Brian Vaasjo
President and Chief Executive Officer

Donald Lowry
Board Chair

2020 was a transformational year for Capital Power, proving our resiliency as an organization in the face of the unprecedented global challenge of COVID-19.

A Path of Acceleration

We accelerated our efforts to be net carbon neutral by 2050, demonstrating that our path to decarbonization is through investments in renewables, select natural gas assets and technology that enhances the environmental performance of our fleet.

We completed construction of a wind facility, acquired another one and have two projects moving into construction. While we continue to move forward with wind opportunities, the exciting development in 2020 has been our success on the solar front, where we announced five new projects.

Together, these projects add 425 MW to our fleet by the end of 2022, confirm our competitive capability in solar and more than double our renewable opportunities in North America. Learn more about our renewables strategy on page 23.

On the natural gas front, we announced the repowering of Genesee 1 and 2 at our flagship Genesee Generating Station in Alberta. This major initiative will deploy the best-in-class natural gas combined cycle technology available, making these units the most environmentally efficient natural gas plants in Canada. They will also be hydrogen capable as well as carbon capture ready. Significantly, when combined with the conversion of Genesee 3 to natural gas, this initiative will enable us to be off coal in 2023 – six years sooner than planned. Read more about our repowering efforts on page 35.

We continued the development of carbon reduction technologies by committing to increase our investment in C2CNT, a company that has developed an innovative technology that transforms carbon emissions into carbon nanotube products, to 40%. We also continued to advance our Genesee Carbon Conversion Centre, which is on track to be producing carbon nanotubes in the first half of 2022. Simultaneously, we're pursuing the application of carbon nanotubes in a variety of industries, including cement, tires, batteries, anti-corrosion polymers and carbon fibre. Read more on page 24.

In 2020, we entered the second year of our 10-year company-wide operations efficiency improvement effort, known as Ops 2030, which we are confident can create an incremental $50 million of annual adjusted EBITDA[1] by 2030. This initiative leverages our culture of innovation, using technology to transform our entire fleet to meet the challenges of the future. An example is our move toward advanced pattern recognition, using data and artificial intelligence to detect patterns that can lead to optimization within our operations and a much more sophisticated risk-based approach to maintenance. Read more on page 41.

Through our efforts in 2020, we are making steady progress against our sustainability targets, including ambitious carbon emissions-reduction goals. More broadly, Capital Power continues to integrate ESG into our core operations, long-term growth strategy and the decisions we make from the Board level to the plant floor.

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[1] *See Non-GAAP Financial Measures on page 51.*

Transforming How We Work Post-COVID-19

2020 changed the way we work at Capital Power. When COVID-19 struck, our primary objective was to keep our employees, contractors and their families safe and healthy. We were one of the first companies in Canada to institute work remotely for all non-essential workers.

This was not an option for our hundreds of plant-based and 24-hour operations employees. To ensure their safety, we quickly put in place fleet-wide measures, including physical site access screening protocols, enhanced cleaning, altered shift changes to minimize interactions between critical infrastructure workers and isolation of the control rooms, and we provided COVID-19-specific personal protective equipment (PPE) to all plant employees. We also accelerated remote operation capability at our three simple cycle plants, enabling plant control operators to run the plants remotely from a laptop. We are happy to report we experienced no COVID-19 transmission at our plants through year-end.

Despite the challenges of COVID-19, our operations team managed seven major planned outages, while our non-plant staff experienced no reduction in either efficiency or effectiveness while working virtually.

One of the positive aspects of COVID-19 is the innovation it has triggered in our processes and protocols that will be retained as we emerge from this pandemic, such as enhanced flexible work arrangements.

Our Commitment to Our Culture, Values and Safety

While the world and our workplace will look very different post-COVID-19, our commitment to the fundamentals of what makes us strong remains constant.

This includes our emphasis on maintaining the highest standards of ethical values and integrity. We were honoured to be recognized by the Ethisphere® Institute as one of the 2020 World's Most Ethical Companies® for a second straight year, one of only three Canadian companies recognized, and one of nine Energy and Utilities companies worldwide.

The ongoing racial and civil unrest experienced in many parts of the world, including in communities in which we live and operate, reinforced why we remain diligent in our efforts to level the playing field, address workplace bias and create more equity in our workplace. In 2020, Capital Power added a diversity metric to the short-term incentive plan objectives of all executive leadership. We also joined Equal by 30, a global campaign committed to working toward equal pay, equal leadership and equal opportunities for women in the clean energy sector by 2030.

Providing a safe and healthy workplace remains the foundation of our values and culture. Our mission of *Zero Means Everything* guided our actions, from COVID-19-related efforts to everyday practices that ensured the protection of all our employees.

Looking Ahead

We remain on track to meet our sustainability targets and believe that resilience, innovation and optimization lie at the core of Capital Power's culture and contribute to building a reliable, low-carbon future. We strive to create a better world and long-term value for all stakeholders – investors, communities, employees and the environment. As we do, we remain committed to financial strength, stability and disciplined growth. Specifically:

- Our targeted returns on growth opportunities and existing assets support a Total Shareholder Return of 10% to 12%
- We continue to aim for sufficient investment opportunities to place $500 million of growth capital per year
- Subject to commercial support, we expect to achieve annual dividend increases, and our guidance remains unchanged for 2021 and 2022 at 7% and 5%, respectively

We need the trust and support of the communities in which we operate to achieve our goals. We are committed to continuing to engage with the people we do business with and building trust among our local communities, including Indigenous communities.

We would also like to thank our employees at our Southport and Roxboro facilities in North Carolina, both of which are closing in early 2021. These employees have been an important part of the Capital Power family and we will provide support to them throughout the transition.

Finally, we would like to thank our investors for their loyalty and ongoing support of the Company, and to our Board of Directors and the whole Capital Power team for their ongoing dedication and commitment to making our Company a reliable, responsible and sustainable energy leader. We are better together.

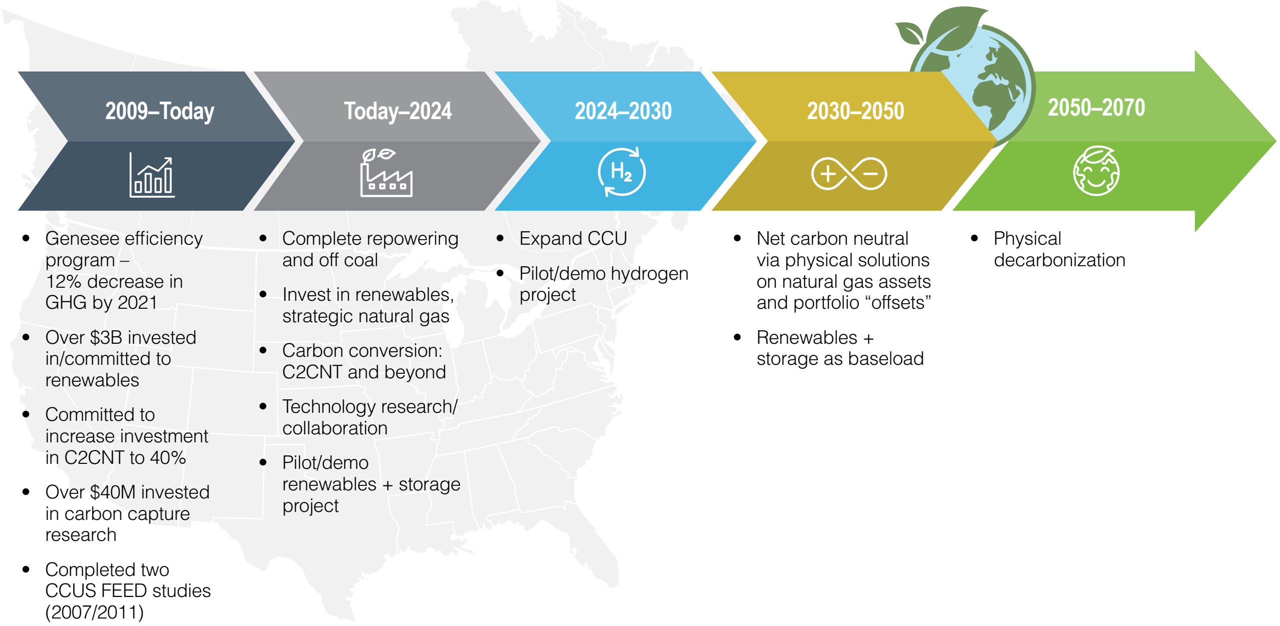
Sincerely,

Brian Vaasjo
President and Chief Executive Officer

Donald Lowry
Board Chair

Our **Strategy**

Our corporate strategy is to power a sustainable future, meeting the evolving needs of society in a responsible and sustainable manner while delivering shareholder value. In 2020, we developed a roadmap to 2050 to outline our steps toward decarbonization, starting with carbon capture and getting off coal in 2023 and pursuing technologies to help drive us toward our goal to be net carbon neutral by 2050.



2009–Today	Today–2024	2024–2030	2030–2050	2050–2070
• Genesee efficiency program – 12% decrease in GHG by 2021 • Over $3B invested in/committed to renewables • Committed to increase investment in C2CNT to 40% • Over $40M invested in carbon capture research • Completed two CCUS FEED studies (2007/2011)	• Complete repowering and off coal • Invest in renewables, strategic natural gas • Carbon conversion: C2CNT and beyond • Technology research/ collaboration • Pilot/demo renewables + storage project	• Expand CCU • Pilot/demo hydrogen project	• Net carbon neutral via physical solutions on natural gas assets and portfolio “offsets” • Renewables + storage as baseload	• Physical decarbonization

Our strategy includes operating as a competitive power producer and ensuring consistent access to low-cost capital, all underpinned by our commitment to be an industry leader on sustainability and ESG practices and transition to a low-carbon future. Together, the steps described above are designed to allow us to dramatically reduce carbon in our operations and accelerate our shift to renewable energy and other low- or zero-carbon energy sources, consistent with the Paris Agreement goals.

Underpinning our strategy for growth and responsible energy is an investment in renewable power and natural gas with carbon conversion and/or hydrogen-ready technology. We believe this is key to providing reliable and competitively priced energy, while also greening the power grid and achieving our goal.

We maintain a relentless focus on efficiency and continuous improvement in our operations, which is vital for increasing operating performance, reducing costs and risks, and navigating the transition to a low-carbon future. Through our 10-year operational excellence program, Ops 2030, we are focused on optimizing our fleet through innovation, including the use of technology, digitalization and artificial intelligence.

Capital Power is committed to providing future dividend growth, an investment-grade credit rating supported by predictable cash flows, and a prudent expansion strategy with a focus on contracted renewable resources and natural gas.

As we carry out our strategy to deliver responsible energy for tomorrow, we stay steadfast in our pursuit of sustainable value for our investors, customers and employees in the communities where we operate. Our strategy is also built on our belief in the importance of transparency and continuous stakeholder engagement to maintain trust and support.

Targets

Priorities for Capital Power in 2021 include supporting our sustainability targets through the advancement of the Genesee Carbon Conversion Centre and the strategic development or acquisition of natural gas and renewable assets. This includes advancing the repowering of Genesee 1 and 2 and ongoing development of our wind and solar projects.

Performance Targets for 2021[1]

Performance measure	2021 target
Operational excellence	
Facility availability average[2]	93% or greater
Sustaining capital expenditures	$80 to $90 million
Disciplined growth	
Repowering of Genesee 1 and 2	Pending regulatory approval, expect construction to begin in third quarter of 2021, with anticipated in-service date in late 2023 for the repowered Genesee Unit 1 and 2024 for Genesee Unit 2
Renewable projects:[3]	Target completion dates on time and on budget for 2021 projects and progress on the development of 2022 projects to be on track with budget and completion dates:
Whitla Wind 2 (Alberta)	Fourth quarter of 2021
Whitla Wind 3 (Alberta)	Fourth quarter of 2021
Strathmore Solar (Alberta)	Early 2022
Enchant Solar (Alberta)	Fourth quarter of 2022
Hornet Solar (North Carolina)	Fourth quarter of 2022
Hunter's Cove Solar (North Carolina)	Fourth quarter of 2022
Bear Branch Solar (North Carolina)	Fourth quarter of 2022
Other contracted growth	$500 million of committed capital
Financial stability and strength[4]	
Adjusted funds from operations[5,6]	$500 million to $550 million
Adjusted EBITDA[5]	$975 million to $1,025 million

[1] *Performance targets for 2021 to be read in conjunction with the Forward-looking Information section on page 107, which identifies the material factors and assumptions used to develop forward-looking information and their material-associated risk factors.*

[2] *Reflects major scheduled maintenance outages for Genesee 2, Decatur Energy and Shepard compared to those scheduled for Genesee 2 (subsequently deferred to 2021), Arlington Valley, Decatur Energy and Southport in 2020.*

[3] *See the Liquidity and Capital Resources section in the Business Report on page 72 for project budget amounts.*

[4] *The 2021 guidance was based on approximately 21% of the Alberta commercial baseload generation portfolio sold forward at an average contracted price in the high-$50 per megawatt hour (MWh) range.*

The Alberta portfolio position, contracted prices and forward Alberta pool prices for 2021, 2022 and 2023 (all as of December 31, 2020) were:

Alberta commercial portfolio positions and power prices	*2021*	*2022*	*2023*
Percentage of baseload generation sold forward[a]	*29%*	*27%*	*21%*
Contracted Alberta pool prices per MWh[b]	*Low-$60*	*Mid-$50*	*Mid-$50*
Forward Alberta pool prices per MWh	*$61*	*$60*	*$56*

[a] *Based on the Alberta baseload facilities plus a portion of Joffre and the uncontracted portion of Shepard.*

[b] *Forecasted average contracted prices may differ significantly from future average realized prices as future realized prices are driven by a combination of previously contracted prices and settled prices.*

[5] *Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures on page 51.*

[6] *The adjusted funds from operations target excludes the impact from the Line Loss Rule Proceeding.*

The 2021 targets and forecasts are based on numerous assumptions, including power and natural gas price forecasts. However, they do not include the effects of potential future acquisitions or development activities, or potential market and operational impacts relating to unplanned facility outages, including outages at facilities of other market participants, and the related impacts on market power prices.

At its Investor Day held in December 2020, the Company confirmed its annual dividend growth guidance for 2021 and 2022 at 7% and 5%, respectively. Each annual increase is subject to changing circumstances and approval by the Board of Directors of Capital Power at the time of the increase.

See Liquidity and Capital Resources on page 72 for discussion of future cash requirements and expected sources of funding.

We're creating shareholder value through maintaining high operating standards and strategically growing our natural gas and renewables portfolio.

Carbon Disclosure Project (CDP) graded Capital Power A- for climate change and B for water security, ranking us among the highest scorers in our sector in Canada.

Getting to Net Carbon Neutral: Our Sustainability Targets

We have a goal to be net carbon neutral by 2050 with a clear roadmap to guide us. Below are key milestones we aim to reach as we progress.

- Achieve net carbon neutrality by 2050
- Construct all new natural gas generation units to be carbon capture and/or hydrogen ready
- Reducing Scope 1 CO_2 emissions at Genesee by 50% by 2030 from 2005 levels
- Reducing Scope 1 CO_2 emissions by 10% by 2030 from 2005 levels, based on our 2019 fleet[1]
- Reducing Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels[1]
- Invest in carbon capture and utilization technology to help us achieve net carbon neutrality by 2050 and eventually physically decarbonize our natural gas fleet (ongoing)
- Complete the Genesee Carbon Conversion Centre in the first half of 2022
- Enhanced sustainable sourcing plan (2021)
- Enhanced water management plan (2021)
- Target of at least 30% women on the Board and Executive Team

Capital Power was proud to be globally recognized by European-based Capital Finance International (CFI) for being the "Best ESG-Responsible Energy Producer" (Canada) in 2020.

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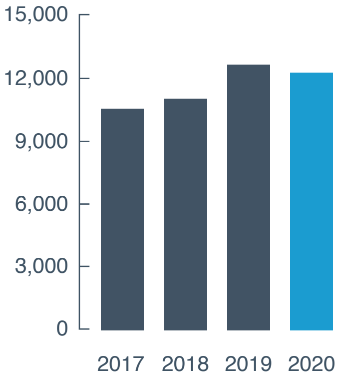
[1] *Our policy is to recalculate our base year emissions for any significant impacts as a result of changes in calculation methodologies and major acquisitions or divestments.*

Environmental Performance

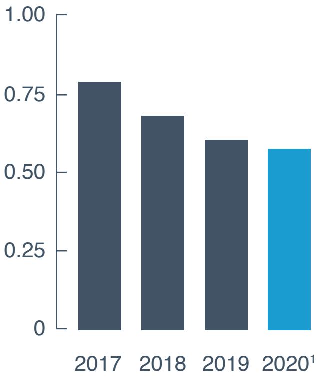
We monitor our emissions on an annual basis. The charts below illustrate Scope 1 emissions across our fleet on an absolute and intensity basis. Throughout this report, we describe initiatives we are taking to ensure we meet our short- and long-term goals.

Scope 1: ☑

Greenhouse gas emissions – Scope 1 absolute (tCO_2e)



Greenhouse gas emissions – intensity (tCO_2e/MWh)



Scope 1 emissions in 2020 were 11,527,603 tonnes CO_2e. This represents approximately a 9% decrease from 2019, primarily driven by lower dispatch in 2020 at many of our thermal operating facilities.

Greenhouse gas intensity in 2020 was 0.58 tonnes CO_2e/MWh. This represents approximately a 4% decrease from 2019. The reduction in intensity reflects a significant increase in wind generation, which accounted for over 21% of our overall generation in 2020 compared to only 12% in 2019.

Scope 2:

Scope 2 emissions 2020: 54,359 tCO_2e. This reflects a 6% increase from 2019 emissions, largely due to including power consumption from all our power generation facilities, adding an additional 20 facilities in Canada and the U.S. One hundred percent of Capital Power's Scope 2 emissions have been greened through a combination of Alberta's Technology Innovation and Emissions Reduction Regulation (TIER) compliance, renewable energy certificates (RECs) retirements and offsets retirements.

Scope 3:[2]

Scope 3 emissions 2020: 1,064,358 tCO_2e. This reflects a 28% decrease from 2019 primarily due to a 34% decrease in natural gas consumption at upstream facilities and significantly smaller capital goods spend on construction.

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[1] This intensity includes GHG emissions related to MWh production only and excludes steam production at East Windsor and mining.

[2] Detail on what is included in Scope 3 emissions can be found in the GRI and SASB Index, page 224, section 305-3.

Mega-trends: The Future Is Net Carbon Neutral

There is a growing commitment around the world to move to a pathway consistent with the climate goals of the Paris Agreement. Coupled with advancing technology, decarbonization is coming sooner than many may anticipate.

Government policy combined with increasing corporate demand for renewables are expected to continue to drive a dramatic increase in new renewable installations in North America during the next decade. In fact, installed renewable capacity is expected to increase by 264% by 2040, delivering an additional 465 GW of installed wind, solar and storage capacity in the United States alone. In Alberta, there has been over 500 MW of announced corporate power purchase agreements, while the United States has seen more than 40 GW of corporate offtake agreements.

More and more organizations are also announcing net carbon neutral targets, which will require a combination of renewables, storage and/or zero- or low-carbon natural gas.

The large growth in renewables is driven by a multitude of factors.

- Government policy incentives are being created through tax credits and renewable targets at the federal, provincial and/or state level
- Continuing advances in technology are reducing relative costs and increasing efficiency
- Storage is facilitating renewable growth by reducing the disadvantages of being an intermittent energy source
- ESG investing is driving large electricity consumers to more closely link their electricity consumption directly with renewable electricity production

A Discussion with Our Chief Sustainability Officer and Chief Financial Officer

Embedding Sustainability into Strategy and Decision Making

Kate Chisholm, Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer

Sandra Haskins, Senior Vice President, Finance & Chief Financial Officer

Capital Power is continuing its efforts to integrate its financial, growth and sustainability strategies and disclosures. While the Company has made significant progress, Kate Chisholm, Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer, and Sandra Haskins, Senior Vice President, Finance & Chief Financial Officer, speak about the ongoing journey.

How is Capital Power integrating sustainability into its business?

Kate: Sustainability is already integrated at the most senior levels, with our Board leading the way. We don't have a Board *committee* that considers sustainability – our *Board of Directors* talks about it every single quarter. They want to hear from me about our progress and about the new issues that are emerging. They never make a decision without considering the sustainability impact alongside the financial impact.

Sandra: In addition to the Board, leaders from our key internal teams are also fully involved. What we're doing now is cascading sustainability throughout their areas and helping all employees see the connections and links to our business. Quite simply, employees must consider sustainability impacts as they make decisions – it is now concretely a part of their job.

How has sustainability improved long-term decision making at Capital Power?

Kate: We know that decisions on important societal issues can have a significant impact on our business. But we had to find a way to quantitatively measure and show the ROI. Factors such as increased operating efficiency and energy savings are fairly easy to estimate, but quantifying the value of more loyal customers, and more highly motivated and productive employees, is a complicated undertaking.

Through the analysis, we were able to identify seven major sources of benefits, each expected to increase Capital Power's long-run value – such as increased employee retention and lower cost of debt and equity – and then quantified the expected effects on value of four of them to produce an estimated contribution to the value of our Company, which is substantial. We have started to incorporate the framework and methodology into our investment decision-making process.

Sandra: In addition, our Finance and Sustainability teams are working to find the appropriate way to incorporate sustainability factors into our investment decision methodology. Take our carbon emissions target. We're committed to reducing our emission intensity by 65% by 2030 from 2005 – despite significant growth in our portfolio of assets. As we look at business development and investment opportunities, such as what types of projects we'll invest in, it must be through the lens of whether the opportunity or investment will support our ability to achieve this target. If it doesn't, that will have a material impact on our decision.

How do you discuss sustainability with stakeholders?

Kate: In the past, many companies and investors were very narrowly focused on profit margins. But, today at Capital Power, we're convinced that you don't have to trade shareholder value for strong sustainability performance – we're very clear about this with our shareholders. On the contrary, we believe we'll create *more* shareholder value by conducting our business in a way that benefits the environment and people. We believe we will create more shareholder value – and drive local economic growth – by helping the world get to net carbon neutral in a way that's affordable and reliably keeps everyone's lights on.

Sandra: Whether it's through our integrated annual reporting or meetings with investors and other stakeholders, we always emphasize that our overall performance is very much tied to delivering on our sustainability targets. It's important that our stakeholders understand that we're creating value on more than one continuum, and that sustainability and business performance are woven together. Take, for example, the fact that we're trying to grow our portfolio of assets. The health and safety of our workers affects our ability to deliver on this goal. We also know that a more diverse and inclusive workforce increases productivity and helps bring diverse perspectives into our decision making.

How have investors reacted?

Sandra: The positive reaction from investors to our repowering announcement in December 2020 (see page 35) speaks for itself. This is an investment in our strategy to be net carbon neutral by 2050, and we saw investor support reflected in our share price. That just shows how important climate change is to investors. We've accelerated our decarbonization efforts with the repowering initiative and seven renewable projects under construction or in advanced development, and we've been rewarded through investor support. They appreciate that we have a strategy to get to net carbon neutral and we're executing on it consistently.

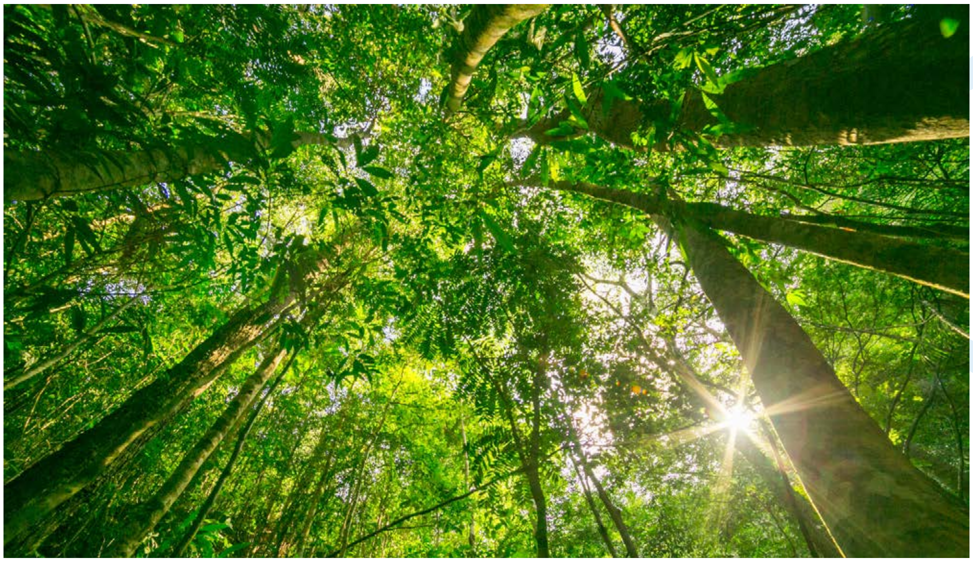
Kate: We're seeing a convergence of ESG investors and financial investors. They're becoming one and the same, which is a great thing. Investors who used to be focused solely on financial returns now realize that they can earn a greater return from serving societal interests rather than by ignoring them. This is something we've been focused on for many years and, in many ways, it put us ahead of the curve.

K Chisholm

Kate Chisholm
Senior Vice President, Planning, Stakeholder Relations and
Chief Sustainability Officer

S A Haskins

Sandra Haskins
Senior Vice President, Finance & Chief Financial Officer



"We're committed to reducing our emission intensity by 65% by 2030 from 2005 – despite significant growth in our portfolio of assets."

Priority **Topics**

The topics included in this report were determined to be significant to both our business and our stakeholders based on a 2018 ESG materiality assessment, which was based on the approach prescribed by the GRI. As part of the assessment, we referenced key issues identified by TCFD and the Electric Power Research Institute, and we engaged directly with 110 internal and external stakeholders. From the exercise, four material sustainability topics and 22 other topics were prioritized. Details can be found in our GRI Content Index. We will conduct another materiality assessment on our priority topics in 2021.

Climate change and carbon footprint

Climate change is one of the major challenges of our time, and the primary theme driving the energy industry for the foreseeable future. See pages 18, 35 and 78.

Innovation

Innovation includes both investment in and support for new technologies as well as continuously improving existing systems and processes. See page 22.

Sustainable sourcing

This is an emerging material topic for us. Sustainable sourcing refers to the consideration of social, ethical and environmental factors in our procurement processes. We have committed to having a formal sustainable sourcing strategy in place by the end of 2021. See page 43.

Water management

This is another major challenge of our time. We are committed to taking a proactive approach to water management and having a formal water management strategy in place by the end of 2021. See page 36.

Other significant topics

Environment
- Air pollution
- Biodiversity
- Energy use and conservation
- Noise
- Physical footprint and waste management
- Reclamation

Social
- Community and stakeholder relations
- Community involvement and volunteering
- Equity, diversity and inclusion
- Employee engagement and retention
- Labour relations
- Pay equity
- Pay for performance
- Worker health and safety

Governance
- Board and CEO succession
- Board diversity
- Compliance
- Cyber and asset security
- Ethics and integrity
- Risk management
- Shareholder rights
- Transparency and reporting

GRI 102-46, 102-47, 302-103, 303-103, 304-103, 305-103, 401-103, 402-103, 403-103, 404-103, 405-103, 406-103, 413-103, 414-103, 415-103, 419-103, INN-103, ASE-103, DRR-103, CSE-103, TND-103

Managing Our Business Responsibly

Corporate Governance

Effective corporate governance is critical to both our long-term performance and maintaining stakeholder trust. Our Board has a diversity of knowledge, expertise and ways of thinking that help us transition our business, manage risks and continue to deliver value over the long term. We're proud to share that Donald Lowry, our Board Chair, was recognized with the 2020 Institute of Corporate Directors (ICD) Fellowship Award for dedication to outstanding board leadership.

As of December 31, 2020, our Board of Directors consisted of nine directors – five men and four women. One director has self-identified as a visible minority and one as an LGBTQ2S. Of the nine directors, eight are independent, including our Board Chair, Donald Lowry. Our Board has adopted corporate governance policies and practices to promote sound and effective governance and establish a set of expectations and requirements to ensure our business is conducted ethically and effectively.

Our Board provides independent oversight of our business and is responsible for: management, strategic (including ESG) and corporate planning oversight; enterprise risk management (including cyber security); Board and CEO succession planning; and shareholder engagement. Sustainability is an integrated component of each aspect of the Board's oversight. The Board conducts its work through three committees: Audit; People, Culture and Governance; and Health, Safety and Environment. All committee members are independent.

Capital Power recognizes and embraces the benefits of having a diverse Board of Directors and sees enhancing and maintaining diversity at the Board level as essential to its competitive advantage. Currently, two-thirds of Capital Power's Board committees are chaired by women. Additionally, in 2017, the Board amended our *Board Diversity Policy* to include:

- At least 50% of the slate of director candidates presented to the People, Culture and Governance Board (PCG) Committee in every search for new directors must be women, and extra weight will be given to qualified female candidates in final nomination decisions
- A goal of 30% was established for the minimum representation of women on both our Board and our Executive Team
- As part of its performance review of the Board, the Board committees and individual directors, the PCG Committee considers their balance of skills and experience, independence, diversity and knowledge of Capital Power

The effectiveness of the *Board Diversity Policy* will be measured based on our goal of women representing at least 30% of our directors, and the policy will be examined in rotation by our internal audit department as part of their rotating audit of all corporate policies approved by the Board.

For more information on our Board and our corporate governance practices, please visit the Corporate Governance section of our website.

Executive Compensation

Historically, management compensation has been based on meeting core financial and operational targets. In 2020, the percentage of remuneration of Capital Power management based on social and environmental targets, including worker safety, employee retention and achieving lower greenhouse gas (GHG) emissions, increased from 10% to 20%. This percentage will increase to 25% in 2021. The targets and remuneration framework are reviewed and approved annually by our Board.

Leadership

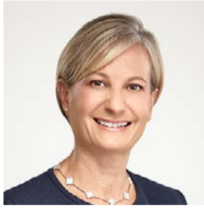
Our Board and Executive Team are focused on executing the Company’s strategic plan to continue to build value for our investors, align with the interests of our stakeholders and maintain our leadership position in the development of responsible energy for a sustainable tomorrow.

Board of Directors

Donald Lowry
Board Chair

Brian Vaasjo
President and Chief Executive Officer

Jill Gardiner



Katharine Stevenson

Doyle Beneby

Kelly Huntington

Keith Trent

Jane Peverett

Robert Phillips

Executive Leadership Team

Brian Vaasjo
President and Chief Executive Officer

Sandra Haskins
Senior Vice President, Finance and Chief Financial Officer

Kate Chisholm
Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer

Bryan DeNeve
Senior Vice President, Business Development and Commercial Services

Chris Kopecky
Senior Vice President, Chief Legal Officer

Jacquie Pylypiuk
Senior Vice President, People, Culture and Technology

Darcy Trufyn
Senior Vice President, Operations, Engineering and Construction

Sustainability Governance

Board of Directors

- Promotes a culture of integrity
- Oversees Capital Power's management, strategy, long-term plan and enterprise risk management
- Oversees sustainability matters (e.g., climate change)
- Oversees CEO succession planning
- Consults regularly with shareholders
- Receives management reports on matters relating to ethical conduct, human rights, equity, diversity and inclusion, and other sustainability matters

Health, Safety and Environment Committee

Oversees matters related to the impact of our operations on the environment and on the health and safety of Capital Power workers, including:

- Strategies, goals and policies
- Due diligence
- Performance monitoring
- Key performance metrics

People, Culture and Governance Committee

(formerly Corporate Governance, Compensation and Nominating Committee)

Oversees matters related to:

- Corporate governance
- Board effectiveness
- Director succession planning
- CEO succession planning
- Compensation and People Services
- Workplace culture
- Equity, diversity and inclusion
- Talent management and succession planning

Audit Committee

- Oversees matters related to public disclosures, including annual integrated reporting on financial, ESG and climate change disclosures

Chief Executive Officer

Responsible for all aspects of the business of the Company, including management's approach to sustainability

Senior Vice President, Finance and Chief Financial Officer

Responsible for all financial functions, including treasury, financial reporting, financial planning and analysis, tax and investor relations, in addition to enterprise risk management.

Oversees financial administration in respect to creation and management of our carbon offsets and credit portfolio.

Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer (CSO)

Responsible for strategic planning, integrated reporting, market forecasting and analytics, regulatory, government relations, and stakeholder and community engagement.

Oversees and leads communication of Company strategy, including ESG and stakeholder engagement.

Senior Vice President, Business Development and Commercial Services

Responsible for business development and commercial activities across North America, including growing our fleet and optimizing the value of our existing assets.

Oversees investment in renewables and low-carbon generation.

Senior Vice President, Chief Legal Officer

Responsible for legal, ethics and compliance, internal audit, security and insurance.

Considers ESG risks and opportunities and legal compliance.

Senior Vice President, People, Culture and Technology

Responsible for people services and information services, including people engagement and development, pension, benefits and employees well-being, compensation, employee relations, and having the right technology in place to enable our future.

Ensures future-focused workforce has the ability, agility and tecnological support to address sustainability matters.

Senior Vice President, Operations, Engineering and Construction

Responsible for operations, construction, engineering, health, safety, environment and supply chain.

Optimizes fleet and leads implementation of low-carbon innovation, ensuring environmental compliance.

Ethics and Integrity

Our business is rooted in our values, which form the foundation of our culture, and our commitment to the highest standards of ethics and integrity in everything we do. We demand high standards from ourselves and those we work with to drive performance, manage risk and preserve trust with our customers, investors, communities and each other.

We are committed to:

- Working with honesty and integrity
- Treating each other and our neighbours with respect
- Investigating all ethical complaints thoroughly and promptly
- Preventing retaliation of any kind against an employee who in good faith reports a violation or ethical concern

Capital Power's enterprise-wide *Ethics Policy* applies to our Board of Directors and all employees, as well as consultants and contractors. It sets out guidelines, processes and procedures related to our expected standards of conduct and management. Topics include:

- Work environment
- Accounting and auditing concerns
- Fraud
- Maintaining confidentiality
- Social media
- Theft and inappropriate use of Company assets and resources
- Conflict of interest
- How to report ethics concerns and steps for investigating those concerns

Beginning with onboarding and then every two years, all employees and Board directors must certify that they have received, read, understood and will comply with our *Ethics Policy*. Our Chief Compliance Officer also conducts biennial training with employees and onsite contractors on the Company's *Ethics Policy* and *Respectful Workplace Policy* on workplace discrimination, harassment, sexual harassment and workplace violence. In 2020, all training was conducted virtually.

Employees can raise concerns related to ethical or unlawful violations in a number of ways, including to a direct supervisor, Capital Power's Chief Compliance Officer, an employee's People Services business partner or senior manager, any member of Capital Power's Executive Team, the Chair of Capital Power's Audit Committee or the Chair of Capital Power's Board of Directors.

They can also report concerns confidentially to Capital Power's Integrity Hotline, which is available 24 hours a day, seven days a week for employees, contractors and external stakeholders. It is managed by a third party and callers can remain anonymous.

Capital Power is committed to investigating all potential violations and dealing with each report fairly and reasonably. Anyone who violates our *Ethics Policy* may face disciplinary action, up to and including termination. We maintain a strict non-retaliation policy. Employees who engage in retaliation against a colleague who has raised a concern or question in good faith are subject to disciplinary action, up to and including termination.

We will continually assess the effectiveness of our *Ethics Policy* through our employee engagement survey and employee feedback. Results are reviewed with each business unit and questions and concerns are addressed by the Chief Compliance Officer. Identified and emerging risks are addressed by our Compliance and Ethics team, with adjustments made to training or the compliance program as required.

The Board of Directors is responsible for overseeing compliance with the laws that apply to our Company. The Board receives regular reports on compliance, including reports of ethical breaches, management's follow-up activities and strategies to mitigate risk.

In 2020, our annual Ethics Week included daily company-wide communications and events about the value and importance of strong ethical behaviour and how to report concerns.

Capital Power was proud to be recognized for the second straight year by the Ethisphere® Institute as one of the World's Most Ethical Companies® in 2020.

2020 WORLD'S MOST ETHICAL COMPANIES® ™
WWW.ETHISPHERE.COM
2 TIME HONOREE

Risk Management

Risk management is everyone's responsibility, from the Board to individual employees. Our company-wide enterprise risk management (ERM) program embeds the principles of risk management into all aspects of our operations to identify, assess, respond to, report and monitor risks, including social and environmental risks. Our ERM program is based on the Committee of Sponsoring Organizations' standard for risk management (COSO ERM – Integrated Framework) and is governed by our *ERM Policy*. It is embedded in our strategic and long-term planning and operational planning and budgeting.

The Board reviews and approves the Company's risk tolerances, *ERM Policy*, risk management processes and accountabilities annually. A comprehensive risk report is provided to the Board at least twice a year and a commodity risk report is provided on a quarterly basis. Ultimately, our President and CEO is accountable for managing our risks and approving the ERM framework.

The table below provides an overview of the Company's high-level risks. It is not a comprehensive list, nor does it include all mitigation plans being implemented by Capital Power. For more details, please refer to page 78 in the Business Report.

Risk, Impact and Mitigation Plans

Risk	Potential impacts	Mitigations
Climate Change	Financial impacts and/or impact to fleet resiliency from climate change-related events such as changing weather patterns, extreme weather, increase in carbon prices and/or more stringent carbon policies	• Modifying assets as appropriate to mitigate physical risks • Evolving our portfolio toward lower-emitting technologies to become net carbon neutral by 2050 • Increasing internal expertise and investment in CCUS (e.g., C2CNT, GC^3) • Government engagement and/or participation in developing carbon policy • Managing compliance costs via environmental commodity markets • Conducting scenario and sensitivity analysis on carbon price and policy for all commercial decisions • Continually evolving the sophistication of our risk management program and our strong expertise in the jurisdictions where we operate
Power Price	Market price fluctuations creating financial impacts due to supply and demand drivers, including changing weather patterns, climate change, changing consumer behaviours, the costs to generate electricity, competitor bidding strategies and power market structures	• Focus on contracted cash flows; limited merchant exposure outside of Alberta • Physical and financial derivatives with strong internal controls over governance and monitoring of commodity risk • Quarterly reporting of key commodity risks to the Board • Diverse geographic fleet • Operational efficiencies to increase thermal asset competitiveness and to enhance the reliability and efficiency of renewables • Governance through the Risk Oversight Council
Fuel Supply & Price	Financial impacts due to supply chain disruptions, significant price increases for fuel supplies and availability of renewable resources	• Diverse fuel types across the fleet • Long-term natural gas transportation agreements • Physical and financial derivatives
Political & Regulatory	Financial, reputational and operational impacts due to changing political conditions and increasing regulatory complexity and scope (e.g., water)	• Engaging with government and industry groups on new and emerging policies • Developing a fleet-wide water strategy by 2021 • Ongoing compliance monitoring and periodic environmental compliance audits

Strategic risks connected with value creation opportunities

Innovation Environment Operations Stakeholder Engagement People and Culture Financial

Risk	Potential impacts	Mitigations
Business Resiliency	Increase in frequency of extreme events such as pandemics, natural disasters, extreme weather conditions due to climate change, physical terrorist attacks and major accidents	• Meeting or exceeding all government-required COVID-19 protocols • Engaging with external governmental and industry groups to share intelligence, trends and best practices • Modifying assets as appropriate to mitigate physical risks • Physical security management program and contingency plans • Comprehensive insurance program • Fuel-type and geographic diversity
Competition, Acquisition, Development and Construction	Financial impact due to unanticipated events in the development, construction and acquisition processes or from competition	• Board governance and oversight of business development opportunities • Internal business development policy and framework • Lessons learned are collected and documented from post-implementation project reviews and applied to future projects
Disruptive Technology	Evolving technologies in the power industry impacting Capital Power's competitiveness	• Evaluating strategy on an ongoing basis, including anticipating disruptive technologies that may complement our strategy • Regularly evaluating economics of emerging and competing technologies • Actively monitoring emission abatement technologies
Cyber Security & Systems	Increase in number and sophistication of cyber- and asset security threats	• Governance through the Cyber Security Leadership Council • Cyber security, disaster recovery and contingency plans in place and tested regularly • Regular internal monitoring of the Company's information and operational technology systems, logs and security events • Frequent auditing of systems and processes (internal and external) • Ongoing internal awareness training • Development of a supply chain cyber risk management plan
People	Impacts to operations due to increasing employee health and wellness concerns related to the COVID-19 pandemic	• Comprehensive people services programs and practices, including flexible work arrangements and multi-faceted wellness programs • Organization-wide "zero injury" health and safety culture • Strong collective bargaining capability, programs and practices • Career development plans and opportunities available to all employees
Operations and maintenance of equipment	Impact to operational reliability due to failure of generation equipment, transmission lines, pipelines or other equipment, implications from COVID-19 or extreme weather events	• Long-term service agreements • Constructive relationships with original equipment manufacturers • Inventory of strategic spare parts • Reliability program • Asset optimization through our Ops 2030 program • Mitigations under Business Resiliency risk above
Stakeholder Activism	Increase in stakeholder activism impacting construction and development efforts or ongoing operations	• Participate in all relevant stakeholder consultation processes • Active and ongoing community engagement • Identify and assess potential stakeholder concerns when screening growth opportunities
Reputation	Increasing societal focus on climate change could create public perception or cost of capital risks related to our portfolio, which includes thermal assets	• Strong risk management strategies for all other identified risks • Ethical corporate culture • Commitment to transparent reporting and disclosure

Strategic risks connected with value creation opportunities

Innovation
Environment
Operations
Stakeholder Engagement
People and Culture
Financial

Value Creation

Energy underpins every aspect of modern life and is driving improved standards of living for millions of people around the world. In addition to delivering reliable and responsible power that North Americans depend on, Capital Power creates jobs, stimulates economic growth and generates revenue for governments. We also help local communities thrive and provide long-term value to our shareholders. Here are some of the ways we created value in 2020.

Innovation

Inputs	2020	2019
Innovation investments ($M)[1]	23 ☑	15
Outputs and outcomes	**2020**	**2019**
	Successful submission by C2CNT for NRG COSIA Carbon XPRIZE competition	Initialized nanotube demonstration facility

2020 highlights

- Started marketing carbon nanotubes to industries
- Exercised an option that will increase the Company's equity interest in C2CNT from 25% to 40% in 2021

People and Culture

Inputs	2020	2019
Total number of employees (number)	827	825
Employee diversity – overall (% female)	25	24
Employee diversity – executive (% female)	43 ☑	33
Board diversity – gender (%)	44	44
Salaries, benefits and other compensation ($M)	158	167
Outputs and outcomes	**2020**	**2019**
Turnover for permanent employees – voluntary (%)	2.5	3.8
Total recordable injury frequency (TRIF – score)[2]	0.72 ☑	0.81
Lost time injury/illness frequency (LTIF – score)	0.27	0.16
Total compensation ratio – CEO/Employees (ratio)[3]	23.5:1	20.6:1

2020 highlights

- Exceeded female representation target on Executive Team (p. 14)
- Achieved an HSE Performance Index of 1.08, representing the seventh consecutive year of reaching or bettering our 1.0 target (p. 33)
- Exceeded Board diversity goal of women representing at least 30% of directors (p. 14)
- Board Chair recognized with the 2020 Institute of Corporate Directors Fellowship Award for dedication to outstanding Board leadership (p. 13)

Environment

Inputs	2020	2019
Greenhouse gas emissions – Scope 1 absolute (tCO$_2$e)	11,527,603 ☑	12,650,545
Greenhouse gas emissions – intensity (tCO$_2$e/MWh)	0.58 ☑	0.60
Outputs and outcomes	**2020**	**2019**
Energy intensity (GJ/MWh)	7.99	8.37
Reduction of GHG emissions (tCO$_2$e)	601,018	886,159

2020 highlights

- On track to have a formal water management strategy in place by the end of 2021 (p. 36)
- Greened 100% of Scope 2 emissions through RECs, offsets and carbon compliance

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[1] *Defined as investments in GPS and C2CNT. In 2020, we restated our 2019 innovation total to represent an annual vs spend-to-date total.*

[2] *TRIF = # of recordable injuries x 200,000/exposure hours. The numbers shown here include corporate and operations but exclude construction projects. TRIF includes both contractors and employees.*

[3] *This ratio considers permanent full- and part-time employees (annualized to full-time equivalent) in Canada and the United States, and annual total compensation includes the following elements in the reporting year: base salary, actual short-term incentive paid and actual long-term incentive granted.*

Operations

Inputs	2020	2019
Number of facilities	28	26
Facility availability (%)	95	94
Investments in new renewables generation projects ($)	111	487
Number of suppliers	2,244	2,461
Outputs and outcomes	**2020**	**2019**
Total electricity generated (MWh)	23,800	24,500
Procurement – spending on local suppliers (%)	68	60
Procurement – spending on all suppliers ($M)	875	810

2020 highlights

- Announced five new solar projects (p. 24)
- Optimizing our fleet through our Ops 2030 initiative (p. 39)
- Experienced no service disruptions despite COVID-19 challenges due to robust business continuity and emergency response plans (p. 40)
- On track to launch sustainable sourcing strategy in 2021 (p. 43)
- Full notice to proceed on the repowering of Genesee 1 and 2 that will add 560 MW when repowering is completed in 2023 and 2024

Stakeholder Engagement

Inputs	2020	2019
Employee volunteering hours (number)	5,300[1]	14,800
Community investment ($M)	1.5 ☑	1.3
Outputs and outcomes	**2020**	**2019**
Local partners supported	161	164

2020 highlights

- Engaged stakeholders on seven major projects involving regulatory processes and new development opportunities in Canada and the United States (p. 45)

Financial

Inputs	2020	2019
Shareholder equity ($M)	2,900	3,064
Total assets ($M)	8,911	8,582
Net cash flows from operating activities ($M)	611	611
Adjusted funds from operations ($M)[2]	522	555
Outputs and outcomes	**2020**	**2019**
Revenues and other income ($M)	1,937	1,963
Net income ($M)	130	119
Adjusted EBITDA ($M)[2]	955	1,029
Dividends declared per common share ($/share)	1.99	1.86
Dividends paid out to common shareholders ($M)	205	190

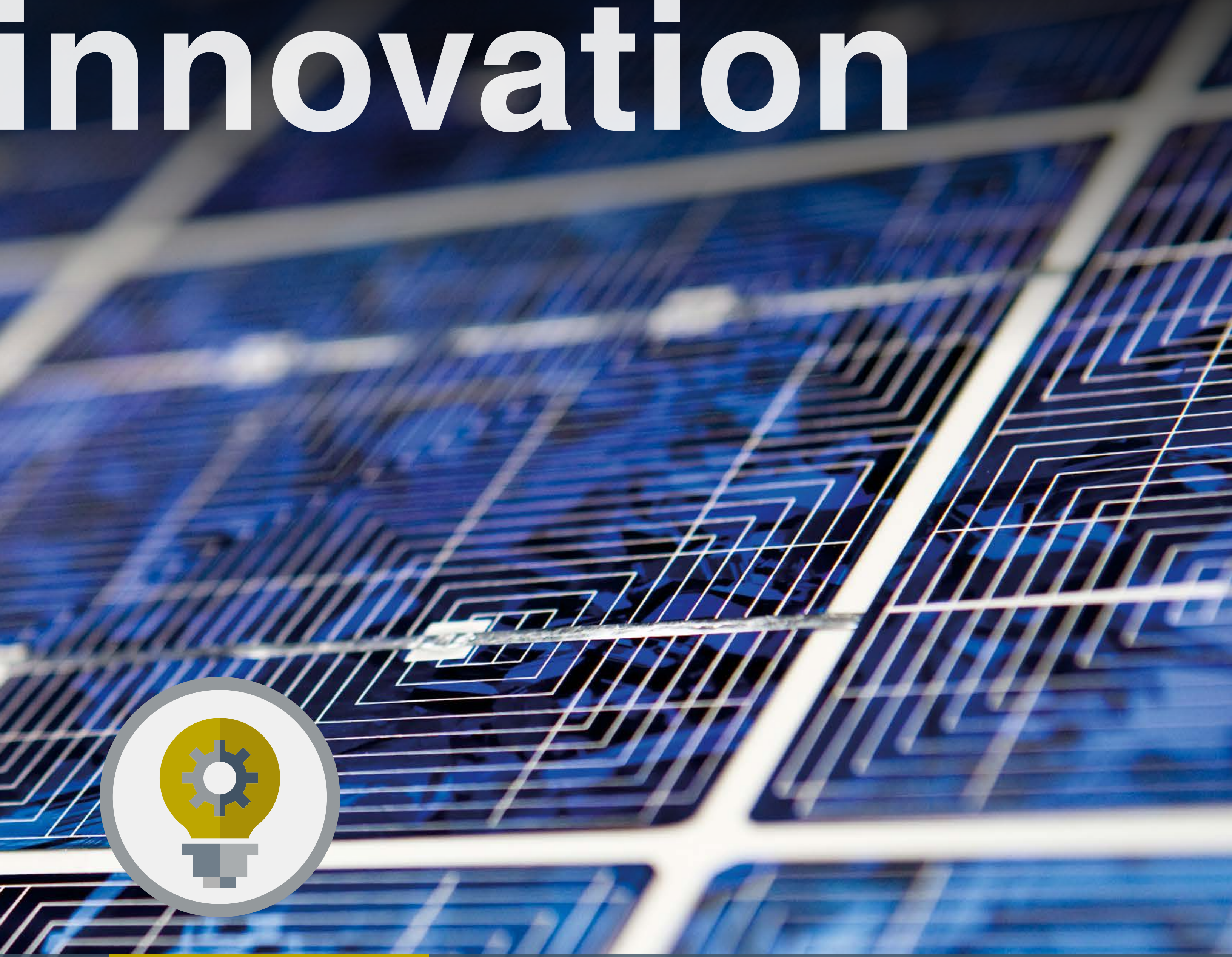
2020 highlights

- Generated net cash flows from operating activities of $611 million and adjusted funds from operations of $520 million in 2020
- Generated net income of $127 million and adjusted EBITDA of $952 million in 2020
- Completed a $350 million, 12-year medium-term note issuance with a coupon rate of 3.147%

[1] *The significant drop in hours between 2019 and 2020 is as a result of COVID-19 limiting in-person volunteering.*

[2] *See Non-GAAP Financial Measures on page 51.*

innovation



We are transforming our energy future.

By increasing our investment in innovation, we are accelerating our efforts to help the world meet its mid-century decarbonization target, while ensuring affordable and reliable power for all along the way. In 2020, we invested $23 million[1] in technology development and implementation. ☑

[1] *Defined as investments in GPS and C2CNT.*

Our investments in low-carbon technologies and our culture of innovative thinking allow us to generate more sustainable power, transforming our energy future.

We believe achieving our goal of net carbon neutral by 2050 will require innovative advances in both renewables and decarbonized natural gas.

Renewables

Our strategy to invest in renewable energy innovations began at our inception with one wind project. At year-end 2020, we have $665 million in renewable projects under development. This consists of two wind projects and five solar projects, four of which have secured long-term contracts. When these seven new renewable projects are all complete by the end of 2022, they will add incremental power generation capacity of approximately 425 MW to our fleet.

Wind

During the past decade, we have honed our skills in wind development and moved from an approach to simply drive lowest cost to incorporating technological solutions to maximize performance while also achieving lowest life-cycle costs. We have become highly skilled at designing purpose-built solutions for our wind facilities and analyzing our costs for the entire life cycle.

2020 Wind Highlights

- Announced that, subject to successful permitting and receipt of regulatory approvals, we will move forward with the third phase of the Whitla Wind facility in Forty Mile County, Alberta. Once all three phases of the facility are complete by the end of 2021, Whitla Wind will be Alberta’s largest wind facility, with 353 MW of generation capacity.
- Acquired 100% ownership of Buckthorn Wind, a 101 MW wind facility located in Erath County, Texas, marking our first Texas-based facility
- Completed construction – ahead of schedule and under budget – of our first operating facility in Illinois, the 150 MW Cardinal Point Wind facility in McDonough and Warren counties

Dynamic Pipeline Supports Resilient and Responsible Growth

Solar
8 sites
Potential: 360 MW
Committed: 276 MW
Total: 636 MW

Wind
9 sites
Potential: 1,129 MW
Committed: 151 MW
Total: 1,280 MW

Storage
3 sites
Potential: TBD

Gas
6 sites
Potential: 1,700 MW

$500M

2021 Investment Growth Target

Solar

2020 has been a transformational year for Capital Power in solar. Leveraging our skills and competitive expertise in wind, we demonstrated our competitiveness in solar development in 2020, with the announcement of five new projects. Proven competitiveness in solar development will more than double our growth opportunities in the renewable space.

2020 Solar Highlights

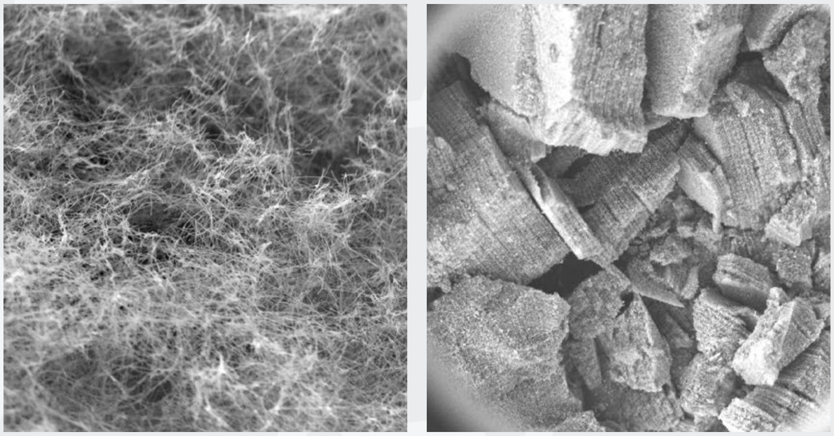
- Announced three solar development projects in North Carolina (Hornet Solar, Hunter's Cove Solar and Bear Branch Solar) totalling 160 MW of capacity, all with 20-year power purchase agreements, significantly expanding our presence in the state
- Announced the 40.5 MW Strathmore Solar project in Alberta with a 25-year contract, our first solar development project in Canada
- Announced the Enchant Solar project, located within the Municipal District of Taber, Alberta, which will add 75 MW in the fourth quarter of 2022

Decarbonizing Natural Gas Generation

While renewables are an important and growing part of the global generation mix, we believe that natural gas, either combined with carbon capture and conversion or transitioned to green/blue hydrogen, is here for the long term. This will ensure delivery of "always available," accessible, clean energy to allow each of us to power our homes, cook our food, and run our businesses, hospitals and essential services when the wind isn't blowing and the sun isn't shining. As COVID-19 has made all too clear, environments can change quickly, but essential needs like food, water and power remain.

Investing in the Largest Commercial Facility for Production of Carbon Nanotubes

In 2020, we committed to increase our equity interest in C2CNT, a company that has developed an innovative technology that transforms carbon emissions into carbon nanotube products, to 40%. Carbon nanotubes can be used as an additive to



What Is a Carbon Nanotube?

A carbon nanotube is an allotrope of carbon, popular due to its excellent electrical, mechanical and tensile strength properties. These properties help reduce weight and increase the strength in an array of applications, including batteries, electronics, sensors, polymer composites and structural materials. Their tensile strength is 100 times greater than steel of the same diameter and they have the potential to reduce downstream CO_2 emissions across a broad range of industries.

substantially increase the strength of concrete, steel, aluminum and other materials while reducing the amount of materials – and related carbon emissions – required, which is what makes C2CNT a potential game changer.

Cement manufacturer and supplier Lehigh Hanson is proceeding to test the use of carbon nanotubes in concrete and their ability to reduce CO_2 emissions in the cement manufacturing process. Testing to date has shown potential for use of carbon nanotubes in cement to materially increase the strength of concrete. As a result, less cement would need to be used and produced. If 2,500 tonnes of carbon nanotubes were used in concrete, over 2 million tonnes of CO_2 emissions from cement production could be avoided. Anticipating continued success in testing and marketing, we are continuing to move forward with our Genesee Carbon Conversion Centre for commercial-scale production of carbon nanotubes. We expect the Centre to be operational in the first half of 2022, with the initial capacity to produce 2,500 tonnes of carbon nanotubes per year and ability to expand operations to 7,500 tonnes per year.

Beyond cement production, Capital Power is also pursuing the application of carbon nanotubes in other industries, including tires, batteries, anti-corrosion polymers and carbon fibre. Over time, if we can generate enough demand for carbon nanotubes, direct air capture units used in their production will become independently economic and eligible to create carbon offsets or credits.

The Next Frontier: Hydrogen

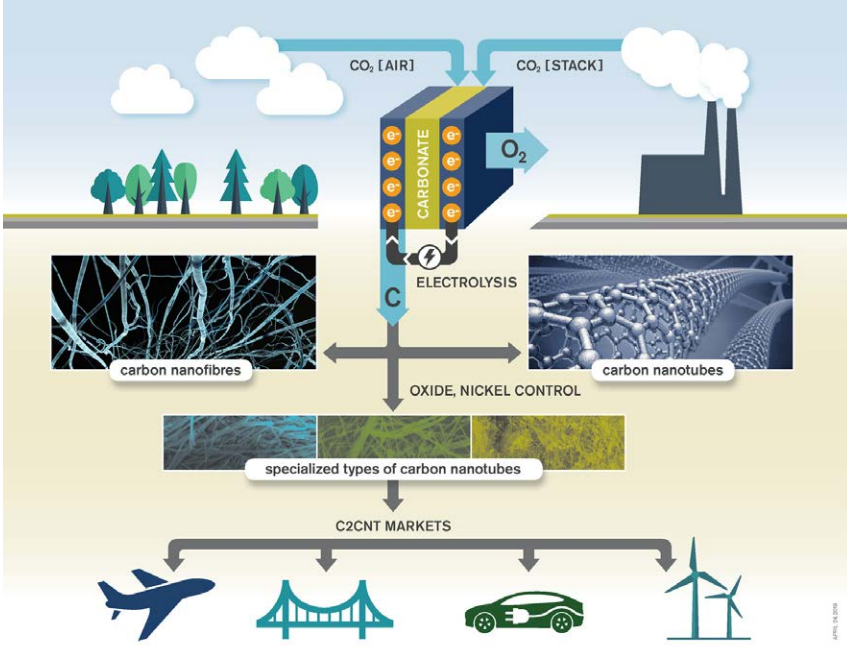
In addition to carbon capture, utilization and storage, we continue to explore green and blue hydrogen technology that could eventually enable physical decarbonization of our natural gas operations. We are evaluating and expect to have a demonstration project for hydrogen in the latter part of this decade, following the repowering of Genesee 1 and 2 (see page 35).

Key Collaborations

Canadian Carbon Capture Collaborative: Together, we are part of this pan-Canadian, cross-sectoral industry coalition working to enhance the technical and financial viability of processes that enable CO_2 capture from industrial emissions sources for utilization, conversion and sequestration, in collaboration with government and private funders, academic experts, think tanks and public sector R&D labs.

Carbon Capture Coalition (U.S.): We're participating in the Carbon Capture Coalition, a non-partisan collaboration of more than 80 businesses and organizations building federal policy support for economy-wide deployment of carbon capture, transport, use, removal and storage.

Energy Futures Lab 2.0: Capital Power is a convening partner of Energy Futures Lab 2.0, with representation on the Fellowship, Steering Committee and Partner's Council.



Since 2007, we have invested more than $40 million in carbon capture research.

people and culture

People are the heart of our business.

Our current and future success depends on our ability to continue to attract and retain a diverse, engaged workforce that has the existing and emerging technical expertise to support our business and advance our net carbon neutral future.

Our people priorities are focused on:

- Supporting employee growth by building critical skills and competencies that support the long-term business needs and strategy of the organization
- Developing future leaders through succession planning and progressive management opportunities
- Delivering a compelling employee experience through our culture, career development opportunities and lifestyle benefits
- Driving digital business transformation for the organization through evolving employee roles and skills building
- Strengthening the diversity of our workforce by increasing the diversity of our external candidate pool

Responding to COVID-19

The COVID-19 pandemic continues to affect everyone on a global basis. As always, Capital Power's first responsibility is the safety and well-being of our employees and their families, while enabling them to continue to provide high-level, uninterrupted service.

Since March 2020, for all corporate and non-essential plant staff, Capital Power has implemented remote-work measures, supported ergonomic self-assessments to help employees with home workstations and encouraged managers to be flexible to help employees accommodate home schooling, senior care and other disruptions created by our rapid shift to a remote workforce. Capital Power effectively shifted overnight to a remote workforce, providing employees who were forced to work remotely with the systems and tools to work safely and effectively. Once everyone was safe, we focused on employee engagement, productivity, resiliency and wellness. The Company has provided various resources to support leaders, launched learning resources, and conducted pulse surveys and a focus group to ensure we had insight into the mental state and productivity of our employees so that we could respond with additional support where needed.

To ensure the safety of our essential employees and contractors who continued to work from our plants and 24-hour operations sites, we quickly put in place fleet-wide measures, including physical site access screening protocols, enhanced cleaning, altered shift changes to minimize interactions between critical infrastructure workers, and isolation of the control rooms. We also provided COVID-19-specific personal protective equipment (PPE) to all plant employees.

Workplace of the Future: What We Learned from COVID-19

Jacquie Pylypiuk, Senior Vice President, People, Culture and Technology

As 2020 draws to a close, we reflect on the unprecedented year we have experienced together. The pandemic challenged us to work in new ways, but it also resulted in valuable lessons that will fundamentally change the nature of how we work – for the better.

What surprised me most during the past months was how productively and collaboratively people continued to work virtually. I can honestly say that our employees didn't miss a beat, with no reduction in either efficiency or effectiveness. They got the job done despite physical distance and isolation from colleagues.

Results of employee pulse surveys reinforced this, finding that most of our remote employees had adapted to the remote-work environment. What's more, they told us that they really liked the flexibility to balance the needs of child and elder care.

As we come out of the pandemic, our work world will be different in many ways. For Capital Power, COVID-19 has advanced our thinking on the viability of sustaining a flexible workplace. In 2021, working from home, whether on a full-time or hybrid basis, will be a new, formalized component of our *Flexible Work Policy*. In fact, we expect at least 25% of our corporate workforce to continue to work remotely.

I believe the pandemic has accelerated the workplace of the future by at least five years. It has shown us both what is possible and what is meaningful to our employees. As we move forward, we must do so while retaining what we value most about our culture. How we work *will* change, but the values that unite us will continue to keep us strong.

To support all employees and their families, and in anticipation of the challenges presented by COVID-19, Capital Power engaged with tele-medicine providers, allowing for virtual access to health care professionals in February 2020.

For our Board, the pandemic meant a shift to virtual meetings, with an increase in the frequency of the meetings, supplemented by regular communication between the CEO and Board Chair in order to ensure the Board was kept up to date on the Company's COVID-19 protocols, employee safety and contingency planning activities.

We also introduced our "Make Time for Mental Health" campaign, which featured stories from employees about their mental health experiences to reduce the stigma of mental health, interactive exercises for employees to understand their mental health status and links to additional resources. Employee use of these resources, as well as our Employee and Family Assistance Program, was significant in 2020. In 2021, we plan to implement The Working Mind program from the Mental Health Commission of Canada.

Employees were asked during a spring 2020 employee pulse survey if they felt that Capital Power had taken adequate measures to protect them during the pandemic. Here is what they said:

Yes, 99% remote workers
Yes, 81% site-based workers

How we delivered training also changed during COVID-19, shifting from mainly classroom based to virtual. We also added training to help employees manage the new remote working environment through LinkedIn Learning, which offers guidance on topics such as leading virtual teams and meetings and preparing for online performance reviews.

Attracting and Retaining a Diverse Workforce

The diverse backgrounds and perspectives of our people enrich our culture and decision making, foster creative thinking and ultimately improve our Company's performance. That's why we're casting a wider net for talent, while levelling the playing field and working to create more equity across our organization.

Increasing Women in Our Workforce

Recognizing that ours is a male-dominated industry, in 2017 we formalized a commitment to achieving 30% female representation on our Executive Team. As of year-end 2020, women make up 43% ☑ of our Executive Team.

For 2020, we added a requirement, which is a component of the executive incentive plan, to have diverse candidates presented for interviews for open positions,[1] increasing the opportunity for diversity balance at all levels of the organization. Despite the challenges of the pandemic, we met these objectives.

For 2021, we have added an additional requirement, a commitment to increase the number of female hires and improve gender balance at our organization.

In 2020, we also joined Equal by 30, a global campaign committed to working toward equal pay, equal leadership and equal opportunities for women in the clean energy sector by 2030. Equal by 30 is part of the global Clean Energy Education and Empowerment (C3E) initiative co-sponsored by the International Energy Agency and championed by Natural Resources Canada.

Diversity and Inclusion Committee

Capital Power's executive-sponsored and employee-led Diversity and Inclusion Committee works to integrate equity, diversity and inclusion across the organization through training, communications and reporting, and by partnering with business units.

During the past 18 months, all employees had the opportunity to participate in unconscious bias and inclusivity training sponsored by the Committee. Participants explored concepts critical to reducing unconscious bias and diagnosing barriers to building an inclusive culture, such as stereotypes, bias, the mutual benefit of equality, workplace culture and the experience of insider/outsider status. In 2020, a new online module on unconscious bias was launched for new hires.

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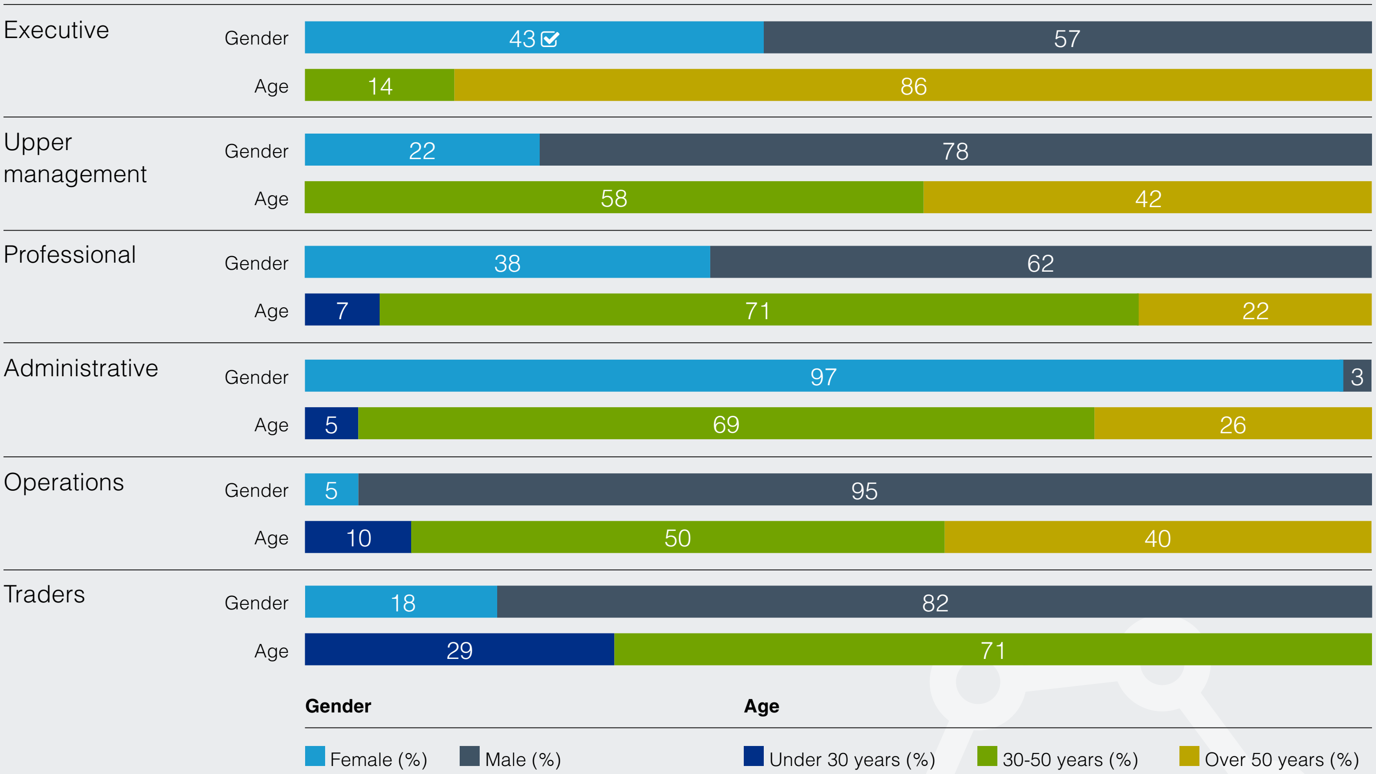
[1] *Requires at least two diverse candidates be presented for interviews for all corporate positions and a minimum of one diverse candidate for all plant positions.*

Diversity by the Numbers



We're committed to increase the number of female hires and improve gender balance at our organization.

Training and Leadership Development

As technology and globalization reshape how we operate, we must be able to adapt quickly. This starts with our employees. In addition to formal training on corporate policies and regulatory requirements, we are investing in specialized training to strengthen our employees' agility and expand their skills into new areas of technology such as data science, artificial intelligence and digitalization.

We also are working to ensure our leaders have the skills they need to lead effective, productive teams through our custom-built iLead Leadership Development program and The Coaching Habit. Beyond our in-house training platforms, we offer tuition support up to $3,000 annually per employee. We also offer Power Pairs, a mentoring program for employees at all levels of the organization.

In addition to training programs for current employees, Capital Power supports the Registered Apprenticeship Program (RAP) for high-school students and the Summer Work Experience Program (SWEP) for employees' family and friends. In addition to giving students opportunities to work in their field of study, SWEP includes opportunities for students to learn more about the organization, which includes networking and learning from our employees.

Fostering Holistic Health and Wellness

We believe that in order for our employees to bring their best selves to work, we must support their *holistic* needs, including their physical, mental, financial and social well-being.

In addition to a comprehensive benefits and retirement savings program, Capital Power provides a set of progressive health and wellness benefits, including:

- **Employee and Family Assistance Program** that includes online content and access to counsellors in the areas of legal, family, financial, nutrition, naturopathic and health coaching
- **Best Doctors®/Cigna Health Advocacy** that helps employees and eligible family members get a second opinion on a medical diagnosis, connect with specialists and navigate the health care system
- **LifeSpeak** that includes wellness resources such as videos, live question and answer web chats hosted by subject matter experts, and additional online content
- **Motivate Me** where U.S.-based employees and their dependents can receive incentive rewards when they complete annual preventative care

GENerosity
Let's Rally Together

Creating a Sense of Community Purpose

Being part of the Capital Power family means coming together around purpose and supporting those in need.

In May 2020, during the initial peak of the COVID-19 pandemic, Capital Power and its employees raised more than $530,000 in donations within only two weeks to support more than 100 relief organizations in Alberta, Ontario, British Columbia and across the United States through the Company's "GENerosity: Let's Rally Together" matched-giving campaign and through additional corporate contributions.

"The COVID-19 pandemic impacted all of us – our families, friends, colleagues and every community we serve," said Brian Vaasjo, Capital Power President and CEO. "Now more than ever, it is critical for us to come together to support our communities, and especially our most vulnerable. We stand and rally together to support those invaluable community organizations and the critical relief services that provide for those in need."

2020 Great Place to Work Accolades

- One of Alberta's Top Employers for 2020 for a fifth time from Canada's Top 100 Employers
- One of Canada's Top Employers for Young People for a second time from Canada's Top 100 Employers
- Named to the *Globe and Mail's Report on Business* magazine's inaugural Women Lead Here list (2020), recognizing businesses that enable and support gender diversity at the executive level
- Included on Bloomberg's 2021 Gender-Equality Index (based on 2020 data), a modified market capitalization-weighted index that aims to track the performance of public companies committed to transparency in gender data reporting and recognizes companies for leading the charge for measurement and transparency

Health and Safety

Providing a safe and healthy workplace is the most fundamental obligation we have to employees and contractors working at our sites. We focus our effort on ensuring that every one of our employees goes home safe at the end of each day. Our mission – *Zero Means Everything* – targets zero accidents and injuries and guides all that we do to work safely each and every day.

Our *Health, Safety and Environment Policy*, updated in 2020, defines the framework under which the organization's health, safety and environment (HSE) program is developed and maintained. All employees receive extensive and ongoing training on the Policy. Understanding of the training is confirmed through quizzes and competency is verified through hazard assessment review audits conducted by supervisors. Barriers to training and understanding are addressed through translators, e-learning in Spanish, and verbal training and testing, where required. In 2020, we achieved a 99% completion rate for required health and safety training courses.

The HSE Committee of the Board oversees HSE matters, including reviewing strategies, goals and policies; conducting due diligence; monitoring performance; and reviewing and recommending operational key performance metrics. The Board approves HSE objectives annually and measures performance through our HSE Performance Index.

We manage HSE risks through a company-wide occupational health and safety management system, which is informed in part by ISO 45001:2018. The system covers topics such as leadership and commitment, hazard identification and assessment of risks, audits and assessments, performance measurement and monitoring, operational controls, and safe work practices and procedures.

Contractors whose work and/or workplace activities are not under the direction of Capital Power are covered through our Contractor Management Standard, which includes robust pre-qualification and selection criteria for qualified contractors. We use ISNetworld to assist with assessing contractor health and safety management systems, worker qualifications, injury statistics, insurance requirements and compliance with jurisdictional regulations.

Safety Reporting

Employees are required and encouraged to report all workplace hazards, near-miss events and incidents. As part of our *Event Management Standard Policy*, workers shall not be disciplined for reporting hazardous conditions or situations. Reports are formally entered into our electronic reporting system and are tracked to closure. We track and analyze events for trends, and take preventative actions when trends are identified.

In August 2020, we hosted an emergency training exercise at our Whitla Wind 1 site with our turbine supplier and maintenance partner, Vestas, and local emergency services providers, including Halo Air Ambulance. Exercises like this are an invaluable tool to test and strengthen emergency preparedness of all involved.

Our people are required and encouraged to report all workplace hazards, near-miss events and incidents to ensure safe working conditions are maintained. We track, resolve and take preventative actions based on our robust reporting system.

2020 Highlights

- Achieved an HSE Performance Index of 1.08, representing the seventh consecutive year of reaching or bettering our 1.0 target
- The Company developed a work warm-up program to address a slight rise in soft tissue injuries, and corresponding lost time injury/illness frequency (LTIF), over the past two years. Following a successful pilot of a work warm-up program in 2019, in 2020 the Company launched a virtual version of the program, restructured from in-person delivery due to COVID-19-related restrictions.
- In response to a decrease in near-miss and hazard identification reporting, launched a company-wide “See It – Say It – Solve It: Attention to Prevention” campaign. As a result, near-miss and hazard identification event reporting increased by 12.3% from 2019.
- Launched mandatory leadership Investigation 101 training

2020 Total Recordable Injury Frequency (TRIF) (Operations/Corporate): 0.72[1] ☑

Employee Turnover

We work with a third-party talent management company that provides transition support and assistance to all employees who are part of non-voluntary termination. In 2020, this included 27 employees. Services for each employee are customized depending on their individual needs, and can include assistance to cope with change, personal career focus, effective job search strategies, marketing tools and career evaluation.

In March 2021, we plan to discontinue operations at, and our ownership of, our Southport and Roxboro power plants. The well-being of our employees at these facilities, many of whom have been part of our team for more than 10 years, is a top priority, and we are working to help and support them.

Accelerating our plans to end coal-fired generation will affect our employees at our Genesee plant and the adjacent Genesee Mine. Fewer staff will be required to operate Genesee as a natural gas facility, and we anticipate a significant reduction in plant staff from current levels by the end of 2023. We are working with affected employees on this transition, including helping them access available career and retirement transition programs.

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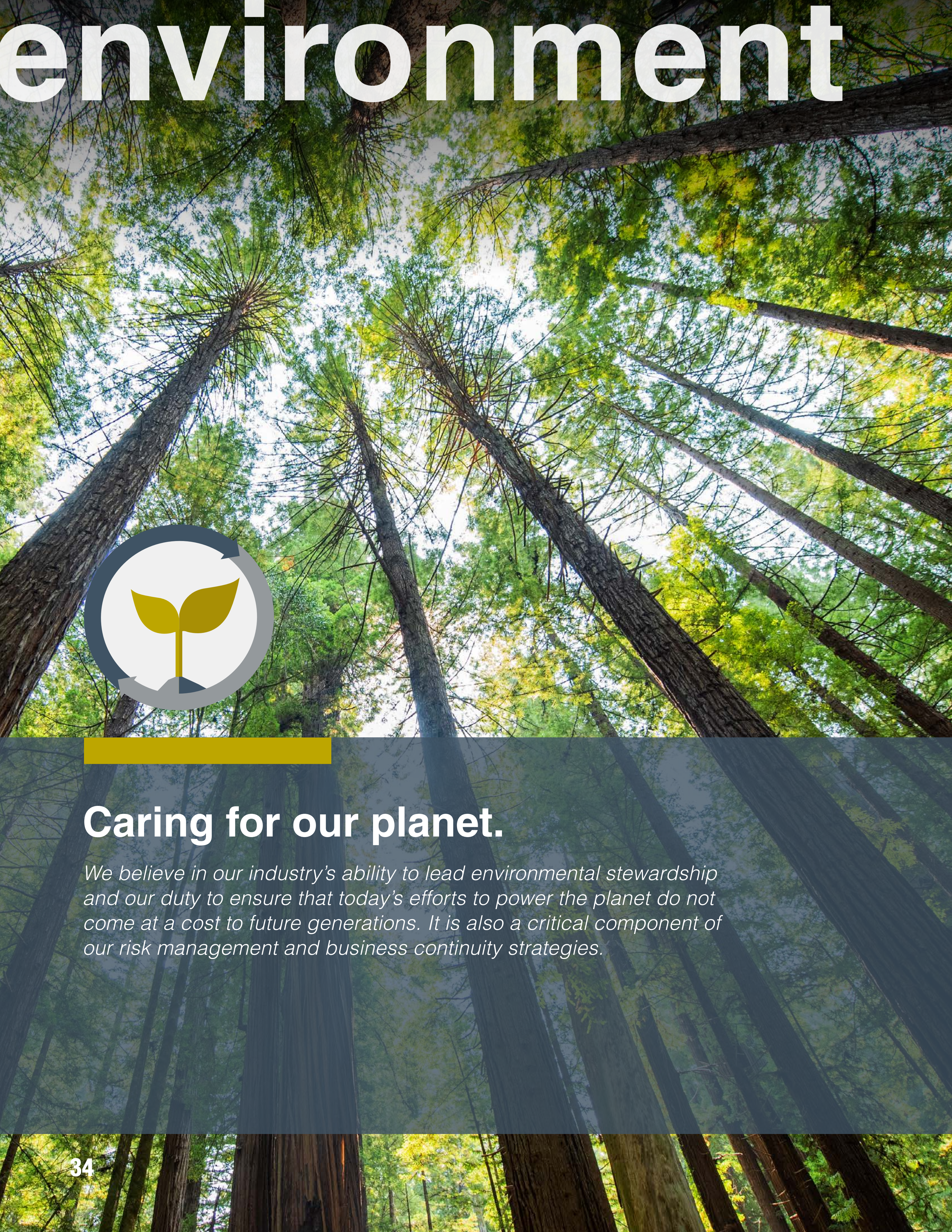
[1] *TRIF = # of recordable injuries x 200,000/exposure hours. The numbers shown here include corporate and operations but exclude construction projects. TRIF includes both contractors and employees.*



environment

Caring for our planet.

We believe in our industry’s ability to lead environmental stewardship and our duty to ensure that today’s efforts to power the planet do not come at a cost to future generations. It is also a critical component of our risk management and business continuity strategies.

Our *HSE Policy*, described on page 32 and based on ISO 45001:2018 (Occupational Health and Safety) and ISO 14001 (Environmental) management systems, defines the framework under which the organization's HSE program is developed and maintained. All employees receive extensive and ongoing training on the Policy. The HSE Committee of the Board oversees HSE matters and approves HSE objectives annually.

Emissions

In 2020, we continued our efforts to meet our emissions-related sustainability targets:

- Reducing Scope 1 CO_2 emissions at Genesee by 50% by 2030 from 2005 levels
- Reducing Scope 1 CO_2 emissions by 10% by 2030 from 2005 levels, based on our 2019 fleet[1]
- Reducing Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels[1]

Examples of Emission-reducing Initiatives

In December 2020, Capital Power announced it will convert all three units at its flagship Genesee Generating Station from coal-fired power generation to natural gas, repowering two of the units to natural gas combined cycle (NGCC) technology and one unit burning gas in the coal boiler under coal-to-gas (CtG) configuration. The Genesee facility represents roughly 25% of the installed capacity of our total fleet.

The Genesee 1 and 2 repowering will use hydrogen-ready,[2] best-in-class NGCC technology, positioning them to be the most efficient NGCC units in Canada when completed. Pending regulatory approval, Genesee 1 would become a dedicated NGCC unit in 2023; Genesee 2 would become a dedicated NGCC unit in 2024.

In addition, the repowering of the two units, combined with converting the third unit to burn only natural gas, will accelerate Capital Power's ability to be off coal in 2023 – six years ahead of schedule – and directly deliver 3.4 megatonnes of annual carbon emission reductions at the site.

Since the acquisition in June 2017, Capital Power has been upgrading Decatur Energy Center's combustion turbines to increase capacity, improve the facility's heat rate and fuel efficiency, and maintain reliability. As a result, the units' GHG emission intensity has also materially decreased.

[1] *Our policy is to recalculate our base year emissions for any significant impacts as a result of changes in calculation methodologies and major acquisitions or divestments.*

[2] *Upon completion, Genesee 1 and 2 will be 30% hydrogen capable; with minimal future investment, they will be 95% hydrogen capable.*

Off coal in 2023 – repowering to natural gas – this rendering shows the layout of the new state-of-the-art NGCC turbines and heat recovery steam generators located beside the existing Genesee Generating Station powerhouse in Alberta.

Key Collaborations

- **West Central Airshed Society:** Capital Power serves on the Board of Alberta's first airshed management zone. The Society monitors and promotes effective management of air quality within the airshed zone, which is approximately 62,000 square kilometres and spans from west of Edmonton to the border of British Columbia.
- **Air Issues Steering Committee of the Canadian Electricity Association:** Capital Power co-chairs the Committee, which works closely with the Government of Canada on the reduction of CO_2 emissions from coal-fired generation and electricity regulations, the Canadian Ambient Air Quality Standards and the Base-level Industrial Emissions Requirements

Water Use and Management

Water is a necessary component to the operation of our facilities and an essential part of daily life for our communities. It is crucial to manage this resource carefully for our communities and operations, and for the future generations who will rely on it.

Sources of water for our operations include municipal, recycled, groundwater and river. Most of our water consumption occurs in Alberta, where the majority of our thermal operations are located. We use water at our thermal generation facilities for two major purposes: cooling and steam production. In general, our steam systems are closed-loop to conserve water. Cooling water systems are similar but may withdraw from and discharge to a local water source. Standards for the quality and quantity of effluent discharges are determined by applicable regional regulatory agencies. Our approvals typically include studies, limits, monitoring and reporting. We comply with all conditions in our operating water approvals and participate in watershed alliances and regional biomonitoring programs for some of our facilities. We also serve on the Alberta Water Council Board, a multi-stakeholder partnership to engage industry, civil society and government to achieve the outcomes of the province's Water for Life strategy.

Water management will continue to be an important focus area for us, and we are working to better understand and manage our impact going forward. We are on track to have a formal water management strategy in place by the end of 2021.

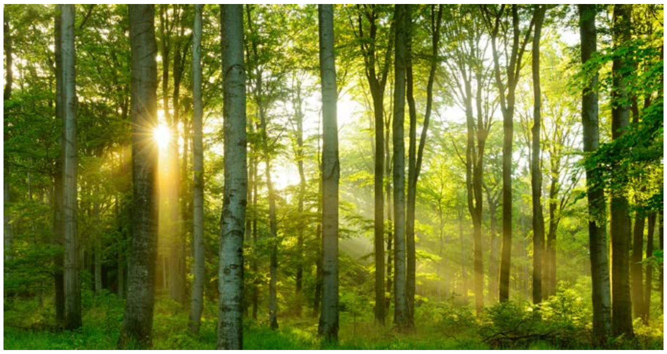
Biodiversity and Land Reclamation

We work to minimize our impacts and create long-term sustainability through land reclamation and reforestation practices, respecting wildlife, working together in partnerships and supporting research when opportunities exist. We consider biodiversity from business development to project planning and design, through construction and operations to remediation and final decommissioning, ensuring we minimize our impacts to wildlife and the land.

Overall water usage for our repowered Genesee 1 and 2 units (see page 35) is expected to be reduced by up to 50%.

The Genesee Generating Station and Mine is the largest and most diverse land base we manage as part of our operations, and this is where most of our land reclamation, reforestation and biodiversity activities take place. For example, we are involved in a biomonitoring program that measures and assesses potential changes in environmental concentrations of chemicals of potential concern associated with aerial and water emissions from our Genesee facility. Ongoing testing results have shown no appreciable increases.

We have also provided land to the Northern Alberta Institute of Technology (NAIT) Centre for Boreal Research to conduct a five-year study on ways to reduce agricultural weed competition with trees when reclaiming mine land to forested area. A variety of strategies are being tested, including planting desirable companion plants with trees, and the use of different mulches and herbicides. As part of this ongoing research, 35,000 trees were planted in the Genesee Mine area, including spruce, aspen and balsam poplar, as well as native plants such as goldenrod and fireweed.



In 2020, we planted 21,000 trees in restoration areas. In total, we have reclaimed 1,231 hectares at the Genesee Mine (37% of the total surface area), which now includes farmland, reforested and wetland areas. This previously mined area is now fully productive farmland and wildlife habitat.

The Genesee site has supported the recovery and maintenance of peregrine falcon populations in Alberta since the early 1990s. Annually, a mating pair resides in the site's nest box to lay eggs and raise chicks.

operations

Resiliency, innovation and optimization.

A key challenge facing us today is a world and power industry that are rapidly changing, creating an imminent need to maintain our competitive advantage as excellent operators. Since our founding, we have established a solid track record of addressing challenges with innovation, optimization and production improvements. Each initiative we have pursued (see chart on the next page) has increased our operating performance and reduced costs and risk.

Track Record of Success

	Challenge	Response	Results
2012	Forecasted power market downturn	Reliability Program	$25 million in EBITDA
2016	Alberta carbon tax program	GPS	Forecast $30 million annual EBITDA improvement by 2022
2019	Technology rapidly transforming industry	Ops 2030	Forecast $50 million annual EBITDA by 2030

In 2020, we entered the second year of our current 10-year company-wide Ops 2030 initiative, through which we are focused on optimizing our fleet through the use of technology, digitalization and innovation. We are focused on three areas: operations, maintenance, and improved production and performance. For example:

- **Operations:** Through the use of work management systems, we aim to increase the efficiency of how our people work, allowing them to focus more on value-added efforts
- **Maintenance:** We aim to move from a preventative- to risk-based approach, lowering our overall maintenance costs and maximizing availability
- **Improving our production and performance:** We aim to generate more megawatts with less fuel, which will improve efficiency, help us meet our carbon emissions targets and maximize commercial value

But Ops 2030 is about more than improving our performance. Through technology and innovation, we aim to transform our entire fleet to meet the challenges of the future (see below for some examples of initiatives we are pursuing).

Creating the sustainable plant of the future through technology and innovation

Continuous Improvement

- Wind turbine upgrades
- Start-up optimization software
- Fleetwide Distributed Control System (DCS) upgrades
- Energy storage

Data Analytics

- Deployment of historian with enhanced capabilities
- Advanced pattern recognition
- Implement machine learning technology to enhance system security
- Optimizing plant performance

Automation

- Mobility in operator rounds
- Worker protection system automation
- Power BI for reporting

Digital Tools

- 3D printing and scanning
- Acoustic leak detection
- Expanded use of drones and development of internal program and expertise
- Continuous monitoring of generator health
- Remote borescope capability deployment

Flexible and Remote Operation

- Simple cycle remote capability
- Renewables monitoring and diagnostics centre
- Remote digital worker

Ensuring Operational Resiliency

We have robust business continuity and emergency response plans that are updated annually for all our operating sites. However, when COVID-19 struck in 2020, we identified a gap in our emergency response plans: they did not consider a scenario with no known end date.

This forced us to quickly rethink our strategy and develop a corporate infectious illness response plan that considers various scenarios based on credible, real-time information from trusted sources, including the World Health Organization, the U.S. Centers for Disease Control and Prevention, and Public Safety Canada. We used this plan to develop site-specific illness response plans, which include facility-specific staffing plans in case of potential outbreak situations and require sites to stockpile food and prepare site accommodations to enable ongoing operations if necessary. Fortunately, these accommodations were not required in 2020.

We also took the step to isolate the control rooms, the heart of each plant, and installed hospital-grade UV equipment to sterilize the rooms. In our three simple cycle gas plants, we accelerated our plans for remote operation capability, enabling plant control operators to run the plants remotely from a laptop.

In 2020, we experienced no service disruptions as a result of the pandemic. In addition, we were able to continue the majority of our planned upgrades, maintenance and installations, including:

- Successfully managing seven major planned outages at thermal facilities and nine at renewables facilities
- Installing the second combustion turbine hybrid rotors at Decatur Energy
- Constructing an evaporation pond at our Arlington Valley site
- Installing new natural gas conditioning infrastructure at our Genesee site

We chose to defer Genesee outages into future years to minimize risk at the site, given the large workforce required for these outages. The excellent condition of the Genesee assets allowed us that flexibility.

Two of Decatur Energy Center's three turbines were replaced during 2019 and 2020 maintenance outages, adding approximately 60 MW of additional capacity.

Decatur Energy Center

Decatur Energy is a natural gas-fired combined cycle facility in Decatur, Alabama, that began commercial operations in 2002. Since Capital Power acquired the site in 2017, we have been upgrading Decatur Energy's combustion turbines to increase capacity, improve the facility's heat rate and fuel efficiency, and maintain reliability. To date, two of three combustion turbines have been upgraded, adding approximately 60 MW of additional capacity. The third combustion turbine is expected to be upgraded in 2021, adding approximately 30 MW more. These upgrades contributed to a 10-year extension to our existing contract for the site through 2032, announced in 2020.

"The Decatur upgrade is a perfect example of how we're making significant investments in innovative technologies to improve generation performance at our facilities, leading the way to more efficient and low-carbon generation," says Darcy Trufyn, Senior Vice President, Operations, Engineering and Construction.

Leveraging the Power of Data and Digitalization to Drive Risk-based Maintenance

For decades, we have practiced ongoing preventative maintenance of plant equipment based on hours of use – much like the timing of an oil change for the typical car. This approach, while effective and based on best practice at the time, has meant that we maintain equipment based on operational hours and not necessarily based on equipment condition.

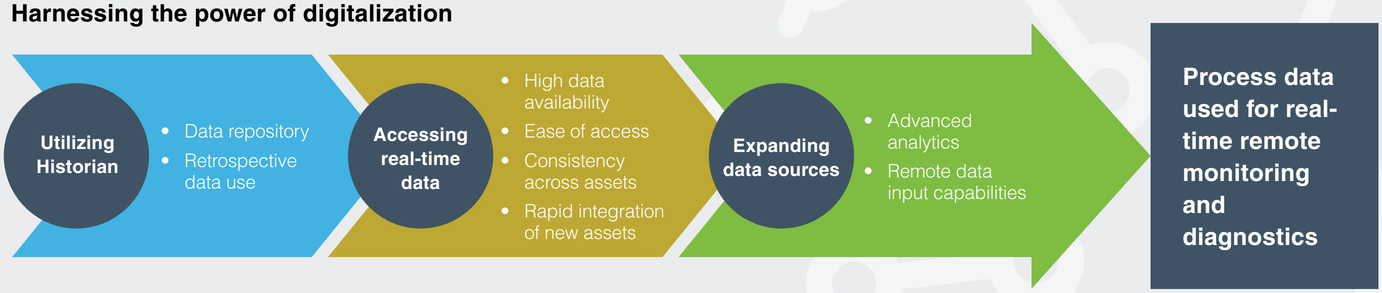
Today, we are moving to a more advanced maintenance strategy powered by new technologies. Through our company-wide digitalization strategy, we are collecting, combining and analyzing plant data to make better risk-based decisions about plant maintenance – an approach we believe will lead to significant cost savings and efficiency improvements.

Through our current process data historian, we collect approximately 170,000 data points in real time from our entire fleet – data such as wind turbine performance, rates of vibration or temperature of critical equipment. However, we have been limited in how we use the data until recently.

Starting with our wind facilities in 2019, we took data captured from every wind turbine in our fleet (more than 15,000 data points per minute) and combined it with rules-based logic to launch our Renewables Operations Centre (ROC). This enables alerts, control, monitoring and analysis of every wind turbine in our renewables fleet from a single user-friendly interface. ROC alerts us in real time if a turbine is underperforming so we can address the issue faster and improve availability across our fleet.

In 2021, we plan to go a step further by launching one-year pilots at three of our thermal plants – Clover Bar Energy Centre, Arlington Valley and Genesee 3 – using advanced pattern recognition (APR). APR is machine learning and a type of artificial intelligence that uses operating data and creates advanced analytical and predictive models to identify changes in operating parameters of equipment well before the equipment reaches alarm levels. It can also detect anomalies or faulty instrumentation in critical equipment. The value of APR is not only improved efficiency, but it can also help avoid the cost of unexpected equipment failure and reduce unplanned maintenance. If the pilots are successful, we plan to deploy the technology across our entire thermal fleet.

Harnessing the power of digitalization



Utilizing Historian

- Data repository
- Retrospective data use

Accessing real-time data

- High data availability
- Ease of access
- Consistency across assets
- Rapid integration of new assets

Expanding data sources

- Advanced analytics
- Remote data input capabilities

Process data used for real-time remote monitoring and diagnostics

Enhancing Cyber and Asset Security

As society's reliance on energy and information technology grows, so too do the number and sophistication of threats to cyber and asset security. Managing these risks has become more important than ever across the power industry.

Cyber Security

Cyber resilience is especially important for companies like Capital Power that provide critical infrastructure. A cyber breach could have a significant impact not only on our organization, but also on the environment and the economy at large.

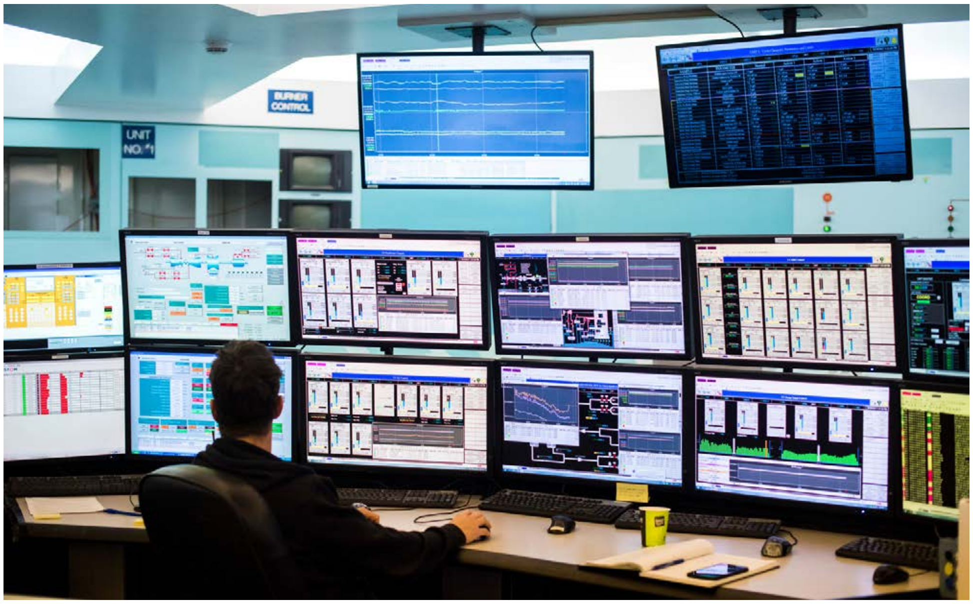
Our Cyber Security Leadership Council (CSLC) oversees our cyber-security program, approving recommended actions and maintaining a cyber-security roadmap to ensure we are well positioned to respond to threats. CSLC representatives provide regular updates to the Board.

We conduct regular maturity assessments and cyber-penetration testing as well as social engineering cyber testing, utilizing common threats such as phishing emails, to protect our core infrastructure and ensure our staff are prepared for and aware of the risks.

In 2020, we strengthened mandatory cyber-security awareness training, which included several modules covering the key risks identified for our industry. We also offered virtual training sessions to help employees working from home protect themselves on social media platforms. For 2021, we plan to launch additional training modules to further enhance cyber-security awareness.

2020 Highlights

- Achieved a 92% cyber-security training completion rate – exceeding our 90% goal
- Enhanced processes to ensure risk assessments are conducted on all new cloud-connected services
- Strengthened backup capabilities to better respond to ransomware or malware attacks
- Redesigned mobile access software and policies to provide a more secure platform while providing easier access for users to get to the data they need
- Refreshed authentication control systems
- Leveraged the latest in machine learning and artificial intelligence technology to further enhance our network protections
- Developed a robust supply chain risk management framework focused on cyber-security risk and processes to evaluate and mitigate any emerging risks



Capital Power did not experience any financial losses related to technology failure, cyber-attacks or security breaches in 2020.

Asset Protection

Capital Power's security management program is based on industry guidelines and best practices, and governed in part by regulatory requirements such as the North American Electric Reliability Corporation (NERC) critical infrastructure protection standards. Operational asset security is managed on a site-by-site basis and driven by onsite security assessments conducted by certified security professionals.

Key Collaborations

- The Canadian Centre for Cyber Security
- The Electricity Information System Sharing and Analysis Center
- Security & Infrastructure Protection Committee of the Canadian Electricity Association

Sustainable Sourcing

Recognizing that unsustainable practices by our suppliers can pose risks to our business, in 2020 Capital Power commenced work on a new sustainable sourcing strategy, which will consider social, ethical and environmental factors in our procurement processes. We anticipate completing the new strategy in 2021, for implementation in 2022.

Ensuring Supplier Compliance

All key suppliers and contractors working onsite are required to certify that they have received, read, understood and will comply with our *Ethics Policy* every two years. Standardized terms agreed to with suppliers typically provide us with the opportunity to audit supplier compliance, including HS&E standards, which we do by conducting audits each year. We are evaluating ways to incorporate more of a sustainability focus in our future sustainable sourcing strategy. On major capital projects, we require project teams to complete "lessons learned" processes throughout the project and at completion. The results support continuous improvement of our approach to supplier sourcing and the corresponding impact on sustainability.

Supporting Local Suppliers

We're a major buyer in the areas in which we operate. Sourcing locally in these areas can positively affect the surrounding communities, including Indigenous communities, by directly and indirectly supporting job creation and economic diversification. Capital Power also benefits directly from local sourcing in that it reduces our operational downtime (i.e., requires less lead time for emergency call-outs), the distance supplies must travel, and the cost and environmental impact of transportation and delivery to our sites. We learned during COVID-19, as global supply chains experienced significant disruptions, that local sourcing also supports our resiliency.

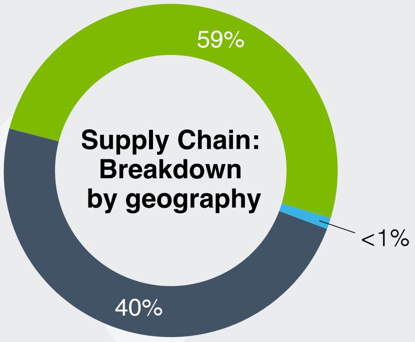
Sixty-eight percent of Capital Power's 2020 spending was on goods and services provided by local suppliers, compared to 60% in 2019. See page 46 for details on how we engage with Indigenous suppliers.

2,244

Total number of direct and indirect suppliers

$662M

Estimated monetary value of payments to suppliers



⬛ **Canada: $288 million**

🟩 **United States: $372 million**

🟦 **Outside North America: $1.8 million**

Supply Chain

Our suppliers range from equipment manufacturers, fuel suppliers and office cleaning services to large engineering and construction contractors. Values range from a few thousand to hundreds of millions of dollars with local to international scope.

stakeholder engagement

Building a brighter tomorrow together.

We engage with a wide variety of stakeholders – from investors, employees and local and Indigenous communities, to regulators, business partners, customers and industry groups. Through regular and thoughtful engagement, we deepen our understanding of what's important and seek opportunities to collaborate to develop sustainable solutions. This approach enables us to address a broad range of situations and helps elevate our performance.

Community Engagement

By engaging with the stakeholders who live near, or have an interest in, our operations, we foster understanding and trust, and seek to lay the foundation for mutually beneficial relationships. Our approach is founded on respect, transparency and a goal of developing enduring relationships that recognize the unique circumstances of individual communities and stakeholder groups. Our actions are guided by our values, internal standards and operating culture, which have been tested and enhanced since the Company's formation in 2009.

Our engagement with communities is ongoing and begins long before construction commences and doesn't end until after the decommissioning of a site. Our engagement practices cover a range of activities, including direct meetings and dialogue with landowners and other community stakeholders, desktop community assessments when we are considering development in a new area, formal consultation efforts as required for regulatory approvals, and annually planning ongoing community investment and onsite activities at our operating facilities.

We offer stakeholders multiple options for contacting us, including direct contact with our staff, as well as toll-free phone lines and email channels, which are provided on our website. Our practices are outlined in the Company's Stakeholder Engagement Standards and Practices Guide, and evaluated and updated from time to time, generally after completing significant engagement processes. Our standard is to debrief and conduct a "lessons learned" exercise to capture aspects that can improve practices, ensuring that they reflect current realities and evolve with stakeholder interests. We also benchmark our work against industry best practices.

2020 Engagement

In 2020, we engaged stakeholders on seven major projects involving regulatory processes and new development opportunities in Canada and the United States. Due to COVID-19, we adapted our engagement, shifting from in-person to virtual meetings to ensure the safety of our stakeholders and employees. We held minimal in-person consultations, by request only with the implementation of COVID-19 protocols (e.g., social distancing and wearing appropriate PPE). Below are examples of how we engaged.

- As we commenced efforts on our Garrison Butte Wind project in North Dakota, local concerns surfaced that the growth of wind energy in the area was connected to an announced closure of a large coal-fired generation facility. We engaged with local government officials about the benefits of the Garrison Butte Wind project; however, the county government introduced a two-year moratorium on wind energy projects. We will continue engagement on this issue in 2021.

We're committed to being a neighbour of choice in the communities where we live and work. Through meaningful, active engagement, we seek to understand priorities, build relationships and deliver collaborative solutions.

- Local community members near our Whitla Wind facility in Alberta reached out to us about the potentially intrusive nature of navigation obstruction lights on our wind turbines that allow the turbines to be visible to aircraft flying overhead. In response to their concerns, we are installing light mitigation equipment (subject to regulatory approvals) that will cover all three phases of the Whitla Wind project to reduce the effects of turbine lighting on the community. This technology uses radar to detect aircraft in the vicinity of the facility and turns on navigation obstruction lights only when aircraft is nearby. This type of technology is already in place at our New Frontier Wind facility in North Dakota, and we are commissioning the technology at our Cardinal Point Wind facility in Illinois.
- Before adding a solar photovoltaic and battery storage component to our proposed Nolin Hills Wind project in Umatilla County, Oregon, we engaged with local stakeholders, including from the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) and the Oregon California Trails Association. As a result of the discussions, Capital Power has committed to working with the CTUIR to protect the cultural resources in the project area. We also agreed to support the maintenance, conservation and interpretive efforts of the Oregon Trail, which is near the Nolin Hills project.

Community Investment

Our focus is to improve the quality of life where we live and work. We collaborate with community members and invest in citizen-led projects to preserve and strengthen community character, ecology and heritage. Our commitment is to support meaningful, grassroots initiatives and programs, and help create healthy and sustainable communities.

In 2020, Capital Power contributed more than $1.5 million ☑ to community organizations, including more than $172,000 directed by our employees to 224 charitable organizations through our GENerosity matched-giving program.

For more information, please visit our website.

Indigenous Communities and Engagement

During business development, we regularly engage with Indigenous communities in discussions about ongoing and new business opportunities, seeking to understand how those communities and Capital Power can work together in a way that is culturally sensitive and enhances the community's economic capacity.

We consider it a priority to pursue our business interests in a manner that respects Aboriginal and treaty rights and the distinct cultures, perspectives and interests of specific Indigenous communities. Our approach is outlined in our Indigenous Engagement Handbook and guided by clear principles, which emphasize:

- Mutual respect
- Open, honest and transparent communication and sharing of information in a timely manner
- Building respectful long-term relationships
- Facilitating and supporting Indigenous involvement in projects
- Engaging in dialogue and working cooperatively
- Respecting distinct identities, interests and priorities while exploring common interests and opportunities to work together for mutual gain

> **"We were pleased to find Capital Power so open to working with us regarding our interests in protecting and preserving the Oregon Trail," said Sallie Riehl, NW Chapter President of the Oregon California Trails Association. "We've had productive and positive dialogue, which resulted in firm commitments to protect the trail during construction."**

> **“The Grand River Post Secondary Office (GRPSEO) and Capital Power worked closely together to develop the terms for the scholarship for Haudenosaunee youth. The scholarship focuses on education in the fields of environmental studies, engineering or business, but the terms are flexible enough to meet a range of needs of community members. GRPSEO works to build the Six Nations community through supporting the educational aspirations of our young people. We’re proud to have Capital Power as a partner in that work.”**
>
> – Justine Henhawk-Bomberry, Director of Post Secondary Student Services, Grand River Post Secondary Education Office

- Engagement and consultation processes that are meaningful and results oriented
- Sharing information about projects and facilities, with the aim of seeking meaningful input
- Sharing of ideas and commitment to joint problem solving
- Protecting the intellectual property of Indigenous communities
- Addressing the substance of the Indigenous community’s concerns, and, wherever possible, integrating such concerns into a proposed plan of action

Capital Power has five community benefits agreements in place for facilities that we operate in British Columbia and Ontario. All of these agreements include a financial component related to our operations. Certain agreements provide for scholarships and community support, as well as a commitment to share information on business and contracting opportunities.

At our Quality Wind facility in British Columbia, we support scholarships for members of the McLeod Lake Indian Band, Saulteau First Nation and West Moberly First Nation. In developing provisions for these scholarships, we worked with the communities to ensure they have full discretion to award funding based on need and interests of their members. Funding for these scholarships will be offered throughout the 25-year operational life of the Quality Wind facility. We are also proud to support the Grand River Post Secondary Education Office, located near our Port Dover and Nanticoke Wind facility in Ontario, with an annual scholarship program for Haudenosaunee youth.

Promoting Economic Opportunities Through Partners

For more than five years, the regional First Nations-owned company Kikinaw Energy Services has been supporting the maintenance of 79 Vestas V90 and V100 wind turbines at our Quality Wind facility in British Columbia as part of a 10-year agreement with our partner, Vestas. In 2020, Capital Power signed new agreements with Vestas for 10-year, long-term service agreement extensions for the maintenance of nine of the Company’s wind facilities and the supply of turbines at our Whitla Wind 2 and 3 facilities. The agreements, which will take effect between 2021 and 2023, include provisions intended to identify and encourage potential training, employment and economic opportunities for Indigenous communities in Canada.

Beginning in 2021, as development opportunities arise, we will continue collaborating with our contractors and partners and reach out to organizations such as the Canadian Council for Aboriginal Business to increase the number of opportunities available to Indigenous suppliers.

2020 Stakeholder Summary Table

Stakeholder type	How we engaged in 2020[1]	2020 engagement topics
Industry Associations & Non-Government Organizations	• Memberships in public-private partnerships in Canada and the United States • Participation in consortiums and working groups related to the energy sector • Ongoing participation in industry meetings, seminars, thought-leadership panels, academic research and conferences both in person and online	• Clean energy technologies and innovation (e.g., carbon capture, utilization and storage (CCUS), wind, solar, battery storage, hydrogen) • Equity, diversity and inclusion • Open and transparent communication with respect to environmental performance and climate change • Operational resilience, including compliance with and/or exceeding regulations • Community investment opportunities • Indigenous employment and training • Business competitiveness and/or market impacts • Policies and programs related to climate change, environmental matters and electricity market design
Local Partners and Suppliers	• Ongoing participation through meetings, conferences and seminars • Daily operations, including site visits and inspections • Meetings, phone calls and emails for questions, issues and concerns • Meetings to review and/or negotiate contracts and/or requirements • Initial conversations with suppliers and contractors around sustainable supply chain	• Clean energy technologies/innovation (e.g., carbon capture, utilization and storage (CCUS), wind, solar, battery storage, hydrogen) • Equity, diversity and inclusion • Training and communication around health, safety and environmental performance • Indigenous employment and training opportunities • Ethics and compliance
Operational/ Development Communities & Indigenous Groups	• Stakeholder engagement programs, including proactive communications and engagement through letters, phone calls, town halls, open houses and surveys • Meetings, phone calls and correspondence (letters and emails) with landowners as needed • Customized community investment programs based on geographical locations • Communication of community investment through external website, LinkedIn, Facebook and Twitter • Meetings, phone calls and correspondence (letters and emails) with Indigenous communities	• Increased transparency and communication around health, safety and environmental performance • Indigenous engagement and community benefits agreements • The distribution of direct and indirect economic contributions • Impacts related to acquisition, new development and/or divestment activities • Community investment opportunities

[1] *Due to COVID-19, in 2020, many scheduled in-person meetings and/or conferences were transitioned to a virtual and/or online format.*

In February 2020, Capital Power announced a $1 million contribution to STARS Air Ambulance in support of their helicopter fleet renewal project. Supporting invaluable life-saving services like STARS, as well as many other emergency services providers in our communities, helps strengthen the quality of care our neighbours, families and employees will receive in critical situations.

Stakeholder type	How we engaged in 2020[1]	2020 engagement topics
Employees & Labour Unions	• Ongoing engagement through organization-wide town halls with CEO and executive question and answer sessions • Business-unit specific vice president town halls • Frequent communication through internal website, email and video • Training and workshops • Recognition, awards and contests • Employee pulse surveys related to COVID-19 • New employee orientations, as required • Summer Work Experience Program (SWEP) orientation and training programs • Employee engagement sessions on climate change and clean technology, ethics week, mental wellness and sustainability disclosures • Meetings and engagement with labour unions related to collective agreements considering impacts related to COVID-19	• Company strategy, including ambition to be carbon neutral by 2050, high-level roadmap and 2021 company-wide ESG performance measures • Operational resiliency, including employee health and safety measures for operating sites and/or remote workers incorporating requirements related to COVID-19 • Workplace agreement terms and conditions • Opportunities for career advancement and/or development • Impacts related to technologies automation and innovations • Impacts related to acquisition and divestment activities • Community investment opportunities
Government & Regulators	• Meetings, website, correspondence and/or phone calls related to regulatory compliance • Formal submission of regulatory filings and/or responses to requests for information • Collaboration on government and/or industry campaigns, conferences and/or seminars • Operational site visits on request	• Company strategy, including ambition to be carbon neutral by 2050, high-level roadmap and 2021 company-wide ESG performance measures • Clean energy technologies/innovation (e.g., carbon capture, utilization and storage (CCUS), wind, solar, battery storage, hydrogen) • Health, safety and environmental performance • Matters related to business competitiveness and/or market impacts • Operational resiliency, including employee health and safety measures and operating sites and/or remote workers incorporating requirements related to COVID-19 • Policies and programs related to climate change, environmental matters and electricity market design
Investors	• Board outreach meetings with institutional investors (Board Chair and Chair of the People, Culture and Governance Committee) • Annual and quarterly meetings, phone calls and/or emails for questions, issues and concerns related to ESG and/or financial performance • Annual General Meeting • Credit rating agency engagement • Investor road shows and Investor Day • Executive participation at institutional investor conferences • Third-party ESG engagement and surveys • Reports such as our Integrated Annual Report aligned with Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), Climate Change Disclosure Report (TCFD) and CDP	• Communication of Company strategy, including ambition to be carbon neutral by 2050, high-level roadmap and 2021 company-wide ESG performance measures • Clean energy technologies/innovation (e.g., carbon capture, utilization and storage (CCUS), wind, solar, battery storage, hydrogen) • Equity, diversity and inclusion • Discuss with institutional investors and third-party ESG raters perceptions related to the first integrated report content and use feedback to improve the disclosure in 2021

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[1] *Due to COVID-19, in 2020, many scheduled in-person meetings and/or conferences were transitioned to a virtual and/or online format.*

business report

This business report, prepared as of February 18, 2021, should be read in conjunction with the audited consolidated financial statements of Capital Power Corporation and its subsidiaries for the years ended December 31, 2020 and December 31, 2019, the Annual Information Form of Capital Power Corporation for the year ended December 31, 2020, and the remainder of the 2020 Integrated Annual Report, including both the sections preceding this business report and the cautionary statements regarding forward-looking information that begin on page 107.

In this business report, financial information for the years ended December 31, 2020, 2019 and 2018 is based on the audited consolidated financial statements of the Company, which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the business report and recommends its approval by the Board of Directors (the Board). The Board approved this business report as of February 18, 2021.

Performance Overview

The Company measures its performance in relation to its corporate strategy through financial and non-financial targets that are approved by the Board. The measurement categories include corporate measures and measures specific to certain groups within the Company. The corporate measures are company-wide and include adjusted funds from operations and safety. The group-specific measures include facility operating margin and other operations measures, committed capital, construction and sustaining capital expenditures on budget and on schedule, and facility site safety.

Operational excellence

Performance measure	2020 target	2020 actual results
Facility availability average	93% or greater	95%
Sustaining capital expenditures	$90 to $100 million	$73 million[1]

[1] *Includes sustaining capital expenditures net of joint venture contributions of $5 million.*

The Company's facility availability averaged 95%, which reflected planned outages at Clover Bar Energy Centre, Goreway, Roxboro, Southport, Arlington Valley and Decatur Energy. Unplanned outages also occurred at Genesee, Clover Bar Energy Centre, Joffre, EnPower, Goreway, Arlington Valley and Southport.

Sustaining capital expenditures were lower than target mainly due to the deferral of various capital projects to 2021, most notably at Genesee, driven by COVID-19 risk mitigation. The impacts of these deferrals in combination with operational effectiveness resulted in facility availability exceeding the target in the year.

Disciplined growth

Performance measure	2020 target	Status as at December 31, 2020
Cardinal Point Wind	Completion of Cardinal Point Wind on budget and on time for commercial operations in March 2020.	Construction completed on time in March 2020. Total project costs are at the low end of target range in the facility's U.S. dollar functional currency (see Liquidity and Capital Resources, page 72).
Whitla Wind 2	Advance development of the Whitla Wind 2 project to be on track with budget and the 2021 completion date.	Construction on track to be complete and on budget in the fourth quarter of 2021.
Other growth	$500 million of committed capital.	The Company exceeded its targeted committed capital during the year with commitments of nearly $1.7 billion, including the announced repowering of Genesee 1 and 2, the acquisition of Buckthorn Wind and the announcement of various wind and solar development projects (see Significant Events, page 57).

Financial stability and strength

Performance measure	2020 target	2020 actual results
Adjusted funds from operations[1]	$500 million to $550 million	$522 million
Adjusted EBITDA[1]	$935 million to $985 million	$955 million

[1] *Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures.*

Non-GAAP Financial Measures

The Company uses (i) earnings before net finance expense, income tax expense, depreciation and amortization, impairments, foreign exchange gains or losses, finance expense and depreciation expense from its joint venture interests, gains or losses on disposals and unrealized changes in fair value of commodity derivatives and emission credits (adjusted EBITDA), (ii) adjusted funds from operations, (iii) adjusted funds from operations (AFFO) per share, (iv) normalized earnings attributable to common shareholders and (v) normalized earnings per share as financial performance measures.

These terms are not defined financial measures according to GAAP and do not have standardized meanings prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures used by other enterprises. These measures should not be considered alternatives to net income, net income attributable to shareholders of the Company, net cash flows from operating activities or other measures of financial performance calculated in accordance with GAAP. Rather, these measures are provided to complement GAAP measures in the analysis of the Company's results of operations from management's perspective.

Adjusted EBITDA

Capital Power uses adjusted EBITDA to measure the operating performance of facilities and categories of facilities from period to period. Management believes that a measure of facility operating performance is more meaningful if results not related to facility operations such as impairments, foreign exchange gains or losses, and gains or losses on disposals are excluded from the adjusted EBITDA measure.

A reconciliation of adjusted EBITDA to net income (loss) is as follows:

	Year ended December 31		Three months ended							
(unaudited, $ millions)	**2020**	2019	**Dec 2020**	**Sep 2020**	**Jun 2020**	**Mar 2020**	Dec 2019	Sep 2019	Jun 2019	Mar 2019
Revenues and other income	**1,937**	1,963	**516**	**453**	**435**	**533**	683	517	366	397
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	**(1,021)**	(841)	**(321)**	**(144)**	**(233)**	**(323)**	(309)	(231)	(134)	(167)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	**15**	(118)	**19**	**(31)**	**9**	**18**	(28)	(8)	(48)	(34)
Adjusted EBITDA from joint venture[1]	**24**	25	**6**	**6**	**6**	**6**	6	6	7	6
Adjusted EBITDA	**955**	**1,029**	**220**	**284**	**217**	**234**	**352**	**284**	**191**	**202**
Depreciation and amortization	**(478)**	(473)	**(122)**	**(115)**	**(121)**	**(120)**	(118)	(135)	(122)	(98)
Unrealized changes in fair value of commodity derivatives and emission credits	**(15)**	118	**(19)**	**31**	**(9)**	**(18)**	28	8	48	34
Impairments	**(26)**	(401)	**(13)**	**–**	**–**	**(13)**	–	(401)	–	–
Gains on acquisition and disposal transactions	**–**	24	**–**	**–**	**–**	**–**	24	–	–	–
Foreign exchange gain (loss)	**–**	(5)	**5**	**1**	**3**	**(9)**	–	(1)	–	(4)
Net finance expense	**(197)**	(156)	**(57)**	**(47)**	**(49)**	**(44)**	(41)	(42)	(37)	(36)
Finance expense and depreciation expense from joint venture[1]	**(27)**	(23)	**(4)**	**(4)**	**(6)**	**(13)**	(1)	(7)	(7)	(8)
Income tax (expense) recovery	**(82)**	6	**(9)**	**(44)**	**(12)**	**(17)**	(63)	66	33	(30)
Net income (loss)	**130**	**119**	**1**	**106**	**23**	**–**	**181**	**(228)**	**106**	**60**
Net income (loss) attributable to:										
Non-controlling interests	**(6)**	(6)	**(2)**	**(2)**	**–**	**(2)**	(1)	(2)	(2)	(1)
Shareholders of the Company	**136**	125	**3**	**108**	**23**	**2**	182	(226)	108	61
Net income (loss)	**130**	**119**	**1**	**106**	**23**	**–**	**181**	**(228)**	**106**	**60**

[1] *Total income from joint venture as per the Company's consolidated statements of income (loss).*

Adjusted funds from operations and adjusted funds from operations per share

AFFO is a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, the repayment of debt and the payment of common share dividends.

AFFO represents net cash flows from operating activities adjusted to:

- remove timing impacts of cash receipts and payments that may impact period-to-period comparability, which include deductions for net finance expense and current income tax expense, the removal of deductions for interest paid and income taxes paid, and removing changes in operating working capital,
- include the Company's share of the AFFO of its joint venture interests and exclude distributions received from the Company's joint venture interests, which are calculated after the effect of non-operating activity joint venture debt payments,
- include cash from coal compensation that will be received annually,
- remove the tax equity financing project investors' shares of adjusted funds from operations associated with assets under tax equity financing structures so only the Company's share is reflected in the overall metric,
- deduct sustaining capital expenditures and preferred share dividends,
- exclude the impact of fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty, and
- include net expected cash outflows for the Company's share of Line Loss Rule (LLR) Proceeding invoices in the period each tranche is due to be paid by the Company.

AFFO per share is determined by applying AFFO to the weighted average number of common shares used in the calculation of basic, diluted and normalized earnings per share.

A reconciliation of net cash flows from operating activities to adjusted funds from operations is as follows:

	Year ended December 31		Three months ended December 31	
(unaudited, $ millions)	**2020**	2019	**2020**	2019
Net cash flows from operating activities per consolidated statements of cash flows	**611**	**720**	**159**	**201**
Add (deduct) items included in calculation of net cash flows from operating activities per consolidated statements of cash flows:				
Interest paid	**132**	110	**31**	27
Realized loss on settlement of interest rate derivatives	**5**	19	**6**	–
Change in fair value of derivatives reflected as cash settlement	**14**	(29)	**(12)**	7
Distributions received from joint venture	**(11)**	(12)	**(3)**	(3)
Miscellaneous financing charges paid[1]	**6**	6	**2**	2
Income taxes paid	**41**	11	**3**	7
Change in non-cash operating working capital[5]	**(26)**	(69)	**(14)**	(43)
	161	36	**13**	(3)
Net finance expense[2]	**(141)**	(123)	**(35)**	(33)
Current income tax expense[3]	**(38)**	(14)	**(12)**	(7)
Sustaining capital expenditures[4]	**(73)**	(78)	**(23)**	(20)
Preferred share dividends paid	**(52)**	(48)	**(13)**	(12)
Cash received from coal compensation	**50**	50	**–**	–
Remove tax equity interests' respective shares of adjusted funds from operations	**(7)**	(5)	**(1)**	(1)
Adjusted funds from operations from joint venture	**17**	17	**4**	3
Line Loss Rule Proceeding[5]	**(6)**	–	**(6)**	–
Adjusted funds from operations	**522**	**555**	**86**	**128**
Weighted average number of common shares outstanding (millions)	**105.3**	104.3	**105.7**	105.3
Adjusted funds from operations per share ($)	**4.96**	**5.32**	**0.81**	**1.22**

[1] *Included in other cash items on the consolidated statements of cash flows to reconcile net income to net cash flows from operating activities.*

[2] *Excludes unrealized changes on interest rate derivative contracts, amortization, accretion charges and non-cash implicit interest on tax equity investment structures.*

[3] *For the three months and year ended December 31, 2020, excludes current income tax recoveries related to the Genesee 3 and Keephills 3 swap transaction of nil and $20 million, respectively, as these amounts are considered investing activities (2019 – nil).*

[4] *Includes sustaining capital expenditures net of partner contributions of $5 million and $1 million for the year and three months ended December 31, 2020, respectively, compared with $6 million and $1 million for the year and three months ended December 31, 2019, respectively.*

[5] *Net expected cash outflow for the first tranche of invoices for the LLR Proceeding covering the years 2014-2016. The invoicing process results in gross billings to Capital Power of which amounts not attributable to Capital Power have been invoiced and have begun to be recovered from the appropriate parties for their respective shares. Actual net cash outflows of $11 million for the LLR Proceeding amounts are reflected in net cash flows from operating activities through the change in non-cash operating working capital in the Consolidated Statements of Cash Flows for the three months and year ended December 31, 2020, which is removed in the calculation of adjusted funds from operations. The actual net cash outflows reflect the Company's $6 million obligation related to the 2014-2016 invoice tranche and the amount paid by the Company but expected to be recovered from the Alberta Balancing Pool (net $5 million to Capital Power) (see Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 76).*

Normalized earnings attributable to common shareholders and normalized earnings per share

The Company uses normalized earnings attributable to common shareholders and normalized earnings per share to measure performance by period on a comparable basis. Normalized earnings per share is based on earnings (loss) used in the calculation of basic earnings (loss) per share according to GAAP and adjusted for items that are not reflective of performance in the period such as unrealized fair value changes, impairment charges, unusual tax adjustments, gains and losses on disposal of assets or unusual contracts, and foreign exchange gain or loss on the revaluation of U.S. dollar denominated debt. The adjustments, shown net of tax, consist of unrealized fair value changes on financial instruments that are not necessarily indicative of future actual realized gains or losses, non-recurring gains or losses, or gains or losses reflecting corporate structure decisions.

(unaudited, $ millions except per share amounts and number of common shares)	Year ended December 31		Three months ended							
	2020	2019	**Dec 2020**	**Sep 2020**	**Jun 2020**	**Mar 2020**	Dec 2019	Sep 2019	Jun 2019	Mar 2019
Basic earnings (loss) per share ($)	**0.78**	**0.73**	**(0.09)**	**0.89**	**0.10**	**(0.11)**	**1.61**	**(2.25)**	**0.93**	**0.49**
Net income (loss) attributable to shareholders of the Company per Consolidated Statements of Income (Loss)	**136**	**125**	**3**	**108**	**23**	**2**	**182**	**(226)**	**108**	**61**
Preferred share dividends including Part VI.1 tax	**(54)**	(49)	**(13)**	**(14)**	**(13)**	**(14)**	(12)	(14)	(12)	(11)
Earnings (loss) attributable to common shareholders	**82**	76	**(10)**	**94**	**10**	**(12)**	170	(240)	96	50
Unrealized changes in fair value of derivatives[1]	**17**	(81)	**12**	**(28)**	**3**	**30**	(28)	(3)	(30)	(20)
Restructuring charges	**2**	–	**–**	**2**	**–**	**–**	–	–	–	–
Other tax adjustment	**1**	–	**–**	**1**	**–**	**–**	–	–	–	–
Impairments (see Significant Events, page 57)	**20**	–	**10**	**–**	**–**	**10**	–	–	–	–
Provision for Line Loss Rule Proceeding[2]	**4**	4	**1**	**–**	**3**	**–**	4	–	–	–
Termination of East Windsor steam contract	**2**	–	**–**	**–**	**2**	**–**	–	–	–	–
Net loss (gain) on swap transaction	**–**	192	**–**	**–**	**–**	**–**	(115)	307	–	–
Alberta tax rate change	**–**	(51)	**–**	**–**	**–**	**–**	–	–	(51)	–
Normalized earnings attributable to common shareholders	**128**	**140**	**13**	**69**	**18**	**28**	**31**	**64**	**15**	**30**
Weighted average number of common shares outstanding (millions)	**105.3**	104.3	**105.7**	**105.1**	**105.1**	**105.4**	105.3	106.5	103.6	101.8
Normalized earnings per share ($)	**1.22**	**1.34**	**0.12**	**0.66**	**0.17**	**0.27**	**0.29**	**0.60**	**0.14**	**0.29**

[1] *Includes impacts of the interest rate non-hedge held within the Company's joint venture and recorded within (loss) income from joint venture on the Company's consolidated statements of income.*

[2] *See Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 76.*

Financial Highlights

	Year ended December 31		
(unaudited, $ millions, except per share amounts)	**2020**	2019	2018
Revenues and other income[3]	**1,937**	1,963	1,417
Adjusted EBITDA[1,3]	**955**	1,029	736
Net income[3]	**130**	119	258
Net income attributable to shareholders of the Company[3]	**136**	125	265
Normalized earnings attributable to common shareholders[1,3]	**128**	140	115
Basic earnings per share ($)[3]	**0.78**	0.73	2.17
Diluted earnings per share ($)[2,3]	**0.77**	0.72	2.16
Normalized earnings per share ($)[1,3]	**1.22**	1.34	1.12
Net cash flows from operating activities	**611**	720	450
Adjusted funds from operations[1]	**522**	555	397
Adjusted funds from operations per share ($)[1]	**4.96**	5.32	3.85
Purchase of property, plant and equipment and other assets	**306**	635	355
Dividends per common share, declared ($)	**1.9850**	1.8550	1.7300
Dividends per Series 1 preferred share, declared ($)	**0.7650**	0.7650	0.7650
Dividends per Series 3 preferred share, declared ($)	**1.3633**	1.3633	1.1500
Dividends per Series 5 preferred share, declared ($)	**1.3095**	1.3095	1.2173
Dividends per Series 7 preferred share, declared ($)	**1.5000**	1.5000	1.5000
Dividends per Series 9 preferred share, declared ($)	**1.4375**	1.4375	1.4375
Dividends per Series 11 preferred share, declared ($)	**1.4375**	0.8960	–

	As at December 31		
	2020	2019	2018
Loans and borrowings including current portion	**3,552**	3,413	2,647
Total assets	**8,911**	8,582	7,569

[1] *The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share, adjusted funds from operations and adjusted funds from operations per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures, page 51.*

[2] *Diluted earnings per share was calculated after giving effect to outstanding share purchase options.*

[3] *The 2018 amounts have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16 in 2019.*

See Consolidated Net Income and Results of Operations, page 63, for discussion of the key drivers of the changes in revenues and other income, adjusted EBITDA, net income and net income attributable to shareholders of the Company.

The changes in basic and diluted earnings per share were driven by the same factors as net income, which are discussed in Consolidated Net Income and Results of Operations, and the changes from period to period in the weighted average number of common shares outstanding. The changes in normalized earnings per share and normalized earnings attributable to common shareholders were affected by the same drivers as basic earnings per share, but also the adjustments between earnings per share and normalized earnings per share described under Non-GAAP Financial Measures.

See Liquidity and Capital Resources, page 72, for discussion of the key drivers of the changes in net cash flows from operating activities. AFFO for 2020 was lower than in 2019 primarily due to lower Arlington Valley AFFO and lower Alberta commercial and portfolio optimization AFFO, driven by the same factors impacting adjusted EBITDA as described in Consolidated Net Income and Results of Operations. Also contributing to lower AFFO in 2020 were higher current income tax expense, higher preferred share dividends and higher net finance expense. Current income tax expense increases impacting AFFO were driven by current income tax expenses on Goreway earnings for 2020, as well as higher current income tax recoveries in 2019 with Whitla Wind 1 commencing commercial operations in 2019. These factors were partially offset by higher AFFO from the acquisition of Goreway in June of 2019, the commissioning of Whitla Wind 1 in the fourth quarter of 2019, the commissioning of Cardinal Point Wind in the first quarter of 2020 and the acquisition of Buckthorn Wind in April of 2020, and lower sustaining capital expenditures at various facilities.

The decrease in purchases of property, plant and equipment and other assets is discussed in Liquidity and Capital Resources.

Significant Events

Repowering of Genesee 1 and 2

In December 2020, the Company announced that, subject to successful permitting and regulatory approvals, it is proceeding with the repowering of Genesee 1 and 2 located in Warburg, Alberta (see Environment, page 35). The two repowered best-in-class natural gas combined cycle units will provide an additional 560 MW of net capacity totalling 1,360 MW with an expected capital cost of $997 million. The project is expected to contribute average annual adjusted AFFO of approximately $0.70 per share in the first five years. As a result of this announcement, the Company has decided to no longer pursue the Genesee 1 and 2 dual-fuel project. The Company has recorded an impairment of $13 million of capital expenditures related to the termination of this project.

C2CNT investment and Genesee Carbon Conversion Centre

During 2020, the Company increased its equity interest in C2CNT, a technology company developing a proprietary solution to transform carbon into carbon nanotubes, from 5% to 25% for $14 million (US$10 million). In December 2020, the Company exercised its option to increase its equity interest in C2CNT from 25% to 40% for $13 million (US$10 million) (see Innovation, page 22), with the additional investment to occur during the first quarter of 2021. The design phase of the Genesee Carbon Conversion Centre is underway and commercial operations of the 2,500 tonne carbon nanotube facility are expected in the first half of 2022.

Enchant Solar project proceeding

In November 2020, the Company announced that, subject to successful permitting and regulatory approvals, it is moving forward with the Enchant Solar project, within the municipal district of Taber, Alberta, which will add 75 MW in the back half of 2022 (see Innovation, page 22) at an expected capital cost in the range of $100 million to $105 million.

Enchant Solar will generate carbon credits that can be used to economically hedge against Capital Power's carbon compliance costs from its Alberta thermal generation facilities. The Company expects a portion of the output from Enchant Solar to be sold under renewable offtake contracts and is actively pursuing contracting opportunities. The Company expects average annual adjusted EBITDA and AFFO to be approximately $11 million and $12 million, respectively, over the first five years of the project.

Executed 20-year contracts for three new solar development projects in North Carolina

In October 2020, the Company executed 20-year power purchase agreements with Duke Energy Carolinas for three solar development projects located in North Carolina totalling 160 MW (see Innovation, page 22). The solar projects consist of Hornet Solar (75 MW), Hunter's Cove Solar (50 MW) and Bear Branch Solar (35 MW) (collectively, the solar projects). Construction of the solar projects is expected to begin in late 2021 or early 2022 with commercial operations expected in the fourth quarter of 2022 and with expected capital costs of $118 million (US$90 million), $82 million (US$62 million) and $60 million (US$46 million) for the three projects, respectively. Capital Power expects to finance the solar projects using debt and tax equity.

With their 20-year contract terms, the North Carolina solar projects will strengthen our contracted cash flows while increasing the average remaining contract life of our contracted assets. The investment is expected to meet Capital Power's after-tax hurdle rate with the average accretion expected to be neutral to AFFO in the first five years. The solar projects are expected to generate approximately $23 million (US$17 million) of adjusted EBITDA and $5 million (US$4 million) of AFFO annually on average in the first five years.

$350 million medium-term note offering and early redemption of $251 million medium-term notes

On October 1, 2020, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $350 million (the Offering). The notes have a coupon rate of 3.147% and mature on October 1, 2032. The net proceeds of the Offering have been and will be used to repay, redeem or refinance existing indebtedness, including indebtedness under outstanding debt securities or credit facilities, or for general corporate purposes. Included in such repayments is the redemption, on October 9, 2020, of all of the Company's outstanding 5.276% medium-term notes, due November 16, 2020, in the aggregate principal amount of $251 million. The redemption price was an aggregate amount of $258 million, including applicable early redemption premiums, as well as accrued and unpaid interest to and including the day immediately preceding the redemption date.

Wind facility long-term service agreement extensions and Whitla Wind 2 and 3 turbine supply

In late April 2020, the Company signed agreements with Vestas setting the terms for 10-year long-term service agreement (LTSA) extensions for the maintenance of nine of the Company's wind facilities and the supply of turbines for the Whitla Wind 2 and 3 projects.

The agreement for the 10-year extension on the series of LTSAs with Vestas covers a wider scope of services for all our Vestas-equipped wind facilities while reducing costs by an estimated 26% compared to current service and maintenance agreements (see Stakeholder Engagement, page 44). The new LTSAs were executed in October 2020 and will take effect between 2021 and 2023. The Company expects to realize ongoing annual savings on the Company's wind facilities covered under these LTSAs, which would increase adjusted EBITDA and AFFO by approximately $8 million and $6 million per year, respectively.

Extension of Decatur Energy tolling agreement

In August 2020, the Company executed a 10-year tolling agreement extension through December 2032 for Decatur Energy with the current counterparty. Decatur Energy is a natural gas-fired combined cycle facility located in Decatur, Alabama, that began commercial operations in 2002. Decatur Energy sells capacity and energy to a regional entity with an A-rated credit rating under a tolling agreement with an original term of 10 years that was to expire in December 2022.

Since the acquisition in June 2017, Capital Power has been upgrading Decatur Energy's combustion turbines to increase capacity, improve the facility's heat rate and fuel efficiency, and maintain reliability. To date, two of three combustion turbines have been upgraded adding approximately 60 MW of additional capacity. The third combustion turbine is expected to be upgraded in 2021 adding approximately 30 MW.

Under the terms of the extension, Decatur Energy began to receive payments for 34 MW of additional capacity upon signing of the extension and an additional 72 MW upon execution of the updated interconnection agreement in September 2020. As a result, adjusted EBITDA is expected to increase by $11 million (US$8 million) in 2021 and $27 million (US$20 million) in 2022. In 2023, the first year of the additional 10-year term, adjusted EBITDA is expected to be $73 million (US$54 million) per year and then decline by approximately 4% on average per annum over the term.

Strathmore Solar project proceeding and 25-year contract executed

On July 30, 2020, the Company announced that, subject to successful permitting and regulatory approvals, it is moving forward with the Strathmore Solar project, in Strathmore, Alberta, which will add 40.5 MW in early 2022. This will be the Company's first solar project in Canada and has an expected capital cost in the range of $50 million to $55 million (see Innovation, page 22).

In November 2020, the Company received permitting and regulatory approvals and executed a fixed price, 25-year offtake agreement for all of the energy and renewable energy credits generated by the project. The Company expects average annual adjusted EBITDA and AFFO to be approximately $5 million and $5 million, respectively, over the first five years of the project.

Executive appointments

On July 30, 2020, Capital Power and the Board of Directors announced the following executive position appointments:

- Kate Chisholm, Senior Vice President, Planning and Stakeholder Relations and Chief Sustainability Officer,
- Bryan DeNeve, Senior Vice President, Business Development and Commercial Services,
- Sandra Haskins, Senior Vice President, Finance and Chief Financial Officer,
- Chris Kopecky, Senior Vice President and Chief Legal Officer, and
- Jacquie Pylypiuk, Senior Vice President, People, Culture and Technology.

Darcy Trufyn continues to serve as the Senior Vice President, Operations, Engineering and Construction. Mark Zimmerman, who previously served as the Senior Vice President, Corporate Development and Commercial Services, stepped down from his role effective July 30, 2020.

Reinstatement of Dividend Reinvestment Plan

On July 30, 2020, the Company reinstated its Dividend Reinvestment Plan (the Plan), which was previously suspended on June 30, 2015 (the suspension). Commencing with the Company's third quarter 2020 cash dividend, eligible shareholders may elect to participate in the Plan. The reinstated Plan will provide eligible shareholders with an alternative to receiving their quarterly cash dividends. Under the Plan, eligible shareholders may elect to efficiently and cost-effectively accumulate additional shares in the Company by reinvesting their quarterly cash dividends on the applicable dividend payment date in new shares issued from treasury. The new shares will be issued at a discount of 3% to the average closing price on the Toronto Stock Exchange for the 10 trading days immediately preceding the applicable Dividend Payment Date. Participation in the Plan is optional. Shareholders who do not enrol in the Plan will still be entitled to receive their quarterly cash dividends. Shareholders that were enrolled in the Plan upon suspension, and remained enrolled with the Plan administrator, automatically resumed participation in the Plan.

Dividend increase

On July 29, 2020, the Company's Board of Directors approved an increase of 6.8% in the annual dividend for holders of its common shares, from $1.92 per common share to $2.05 per common share. This increased common share dividend commenced with the third quarter 2020 quarterly dividend payment on October 30, 2020 to shareholders of record at the close of business on September 30, 2020.

Whitla Wind 3 project proceeding

In June 2020, the Company announced that, subject to successful permitting and receipt of regulatory approvals, it is moving forward with the third phase of the Whitla Wind facility which will add 54 MW in late 2021. Capital Power will leverage its construction experience from Whitla Wind 1 to deliver Whitla Wind 3 with an expected capital cost of $92 million.

Whitla Wind 3 will generate carbon credits that can be used to economically hedge against Capital Power's carbon compliance costs from its Alberta thermal generation facilities. Construction of Whitla Wind 3 will occur concurrently with Whitla Wind 2 construction. The Company is in active discussions with commercial and industrial customers for renewable offtake contracts for Whitla Wind 2 and 3.

Acquisition of Buckthorn Wind

On April 1, 2020, the Company acquired a 100% ownership interest in Buckthorn Wind, a 101 MW wind facility, from co-sellers John Laing Investments and Clearway Renew LLC, a subsidiary of Clearway Energy Group LLC. The purchase price consisted of (i) $84 million (US$60 million) in total cash consideration, including working capital and other closing adjustments, (ii) the assumption of tax equity financing of $103 million (US$73 million) and (iii) contingent consideration valued at nil. Contingent consideration, to a maximum of US$8 million, would become payable in the future if certain market outcomes lead to Buckthorn Wind exceeding agreed upon thresholds. At this time, the Company considers the likelihood of contingent consideration payment to be low, resulting in no value being ascribed to the contingent consideration in the purchase price allocation.

Buckthorn Wind is located in Erath County, approximately 60 miles south of Dallas, Texas, and began commercial operations in January 2018. It operates in the liquid Electric Reliability Council of Texas (ERCOT) North region between most of the wind generation in ERCOT-West and the Dallas load center. The ERCOT North region has strong fundamentals with a high likelihood of baseload generation retirements and is one of the fastest growing regions in the United States.

Buckthorn Wind has a 15-year weighted average contract life remaining with two offtake arrangements, including one with JPMorgan Chase Bank involving a 20-year contract for differences (CfD) for 55% of the generation output, and a 13-year financial hedge for the remaining 45% of the output. The long-term contracts strengthen the Company's contracted cash flow profile while expanding our renewables portfolio.

Buckthorn Wind has a tax equity investor (TEI) where the TEI receives a significant portion of the cash flows prior to the date on which the TEI reaches the agreed upon target rate of return (the flip date). The flip date is expected to occur in the late 2020s. Prior to the flip date, the Company expects average annual adjusted EBITDA and AFFO to be approximately $18 million (US$14 million) and $1 million (US$1 million), respectively. After the flip date during the CfD, the average annual adjusted EBITDA and AFFO are expected to be approximately $9 million (US$8 million) and $6 million (US$5 million), respectively.

Cardinal Point Wind begins commercial operations

On March 16, 2020, Cardinal Point Wind, a 150 MW facility in McDonough and Warren counties, Illinois, began commercial operations. Subsequently, the Company received approximately $221 million (US$157 million) in tax equity financing on March 26, 2020, net of issue costs of $3 million (US$2 million) associated with the financing, from two U.S. financial institutions in exchange for Class A interests of a subsidiary of the Company. The construction of the facility was completed on schedule and the project's final costs of $312 million (US$235 million) were near the low end of the projected total cost range in Cardinal Point's U.S. dollar functional currency of US$236 million to US$246 million (see Liquidity and Capital Resources, page 72).

Capital Power will operate Cardinal Point Wind under a 12-year fixed price contract with an investment grade U.S. financial institution covering 85% of the facility's output. The expected adjusted EBITDA and AFFO in the first full year of operations are $56 million (US$40 million) and $6 million (US$4 million), respectively.

Discontinuation of the Genesee 4 and 5 project

During the first quarter of 2020, the Company and its partner on the Genesee 4 and 5 project determined that they would no longer be pursuing the project. Arbitration has commenced between the Company and its partner around the costs of exiting the series of agreements previously entered into. As a result of the decision to no longer pursue the project, the Company has determined that $13 million of capital expenditures incurred by the Company were purely related to the development of Genesee 4 and 5. The Company therefore recorded an impairment on these capital costs during the first quarter of 2020.

Subsequent Events

Board of Directors Chair transition and Director appointment

In February 2021, the Company announced that after 12 successful years as Chair of the Board, and after reaching his term limit, Donald Lowry would retire from the Board at the 2021 annual general meeting (AGM). The Company also announced that the Board has appointed Jill Gardiner as successor Chair, effective immediately following the AGM and subject to Ms. Gardiner being re-elected by the shareholders. Capital Power would like to express its gratitude to Mr. Lowry for his significant contributions and leadership, and is looking forward to working with Ms. Gardiner.

The Company also announced that the Board has appointed Barry Perry to the Board effective March 1, 2021. Mr. Perry will stand for election at the 2021 AGM.

Facilities and Portfolio Optimization

			Capacity (MW)			
Facility category and facility	Type of generating facility	Year commissioned	Facility	Capital Power interest	Revenues based on[2]	Contract expiry
Alberta commercial facilities[1]						
Genesee 3[3]	Coal and natural gas co-fired	2005	516	516	Merchant	–
Clover Bar Energy Centre 1, 2 and 3	Natural gas-fired simple cycle	2008 (Unit 1) 2009 (Units 2 and 3)	243	243	Merchant	–
Joffre	Natural gas-fired combined cycle cogeneration	2001	480	192	Merchant (mid-merit)	–
Shepard	Natural gas-fired combined cycle	2015	881	440	Merchant with tolling agreement for 50% of owned capacity	2035 (tolling agreement)
Halkirk Wind	Wind turbine	2012	150	150	Merchant with renewable energy credits (RECs) sold under fixed price agreement	2032 (RECs)
Clover Bar Landfill Gas	Landfill gas-fired	2005	2	2	Merchant with emission credits purchased by Capital Power from the City of Edmonton	–
Alberta contracted facilities[1]						
Genesee 1	Coal and natural gas co-fired	1994	430	430	Capacity and output sold under PPA to Alberta Balancing Pool	2020
Genesee 2	Coal and natural gas co-fired	1989	430	430	Capacity and output sold under PPA to Alberta Balancing Pool	2020
Whitla Wind 1	Wind turbine	2019	202	202	Fixed price contract with the Alberta Electric System Operator	2039
Ontario and British Columbia contracted facilities						
Island Generation	Natural gas-fired combined cycle	2002	275	275	PPA with BC Hydro	2022
York Energy	Natural gas-fired simple cycle	2012	456	228	Energy supply contract with Independent Electric System Operator (IESO)	2032
East Windsor	Natural gas-fired cogeneration	2009	92	92	Energy supply contract with IESO	2029
Goreway	Natural gas-fired combined cycle	2009	875	875	Energy supply contract with IESO	2029
Kingsbridge 1	Wind turbine	2001 and 2006	40	40	Energy supply contracts with IESO	2026
Port Dover and Nanticoke Wind	Wind turbine	2013	105	105	Energy supply contract with IESO	2033
Quality Wind	Wind turbine	2012	142	142	Electricity purchase agreement (EPA) with BC Hydro	2037
Savona[4]	Waste heat	2008	5	5	EPA with BC Hydro	2028
150 Mile House[4]	Waste heat	2008	5	5	EPA with BC Hydro	2028
U.S. contracted facilities						
Roxboro, North Carolina	Solid fuels[5]	1987	46	46	PPA with Duke Energy Progress Inc.	2021
Southport, North Carolina	Solid fuels[5]	1987	88	88	PPA with Duke Energy Progress Inc.	2021
Decatur Energy, Alabama	Natural gas-fired combined cycle	2002	855	855	Tolling agreement with Tennessee Valley Authority	2032
Arlington Valley, Arizona	Natural gas-fired combined cycle	2002	600	600	Tolling agreements with Arizona Public Service Company and HRCO with an investment grade counterparty	2025
Beaufort Solar, North Carolina	Solar	2015	15	15	PPA with Duke Energy Progress, LLC	2030
Bloom Wind, Kansas	Wind turbine	2017	178	178	Fixed price contract with Allianz Risk Transfer	2027
Macho Springs Wind, New Mexico	Wind turbine	2011	50	50	PPA with Tucson Electric Power	2031
New Frontier Wind, North Dakota	Wind turbine	2018	99	99	Fixed price contract with Morgan Stanley Capital Group	2030
Cardinal Point Wind, Illinois	Wind turbine	2020	150	150	Fixed price contract with Morgan Stanley Capital Group	2032
Buckthorn Wind, Texas	Wind turbine	2018	101	101	Offtake arrangements with an investment grade U.S. financial institution	2031 and 2038

[1] *Based on the nature of future cash flows, the Alberta assets are combined as one cash generating unit (CGU) for impairment testing purposes (see Use of Judgments and Estimates, page 95). Since the cash flows of Genesee 1 and 2 were contracted through 2020, management continued to present facility results based on the Alberta Commercial and Alberta Contracted groupings through 2020.*

[2] *Certain of the Company's facilities derive revenues under PPAs.*

[3] *On October 1, 2019, the Company divested its 50% share of Keephills 3 and, in exchange, acquired TransAlta's 50% share of Genesee 3.*

[4] *For operational reporting, the Company combines Savona and 150 Mile House waste heat facilities together as a single entity referred to as EnPower.*

[5] *Solid fuels at Roxboro and Southport include wood residuals, tire-derived fuels and coal.*

			Capacity (MW)			
Facility category and facility	Type of generating facility	Year to be commissioned	Facility	Capital Power interest	Revenues based on	Contract expiry
Under construction or in advanced development						
Repowering of Genesee 1 and 2	Natural gas-fired combined cycle	Genesee 1–2023 Genesee 2–2024	280 280	280 280	Merchant	–
Whitla Wind 2, Alberta	Wind turbine	2021	97	97	In discussions for potential offtake contracts	–
Whitla Wind 3, Alberta	Wind turbine	2021	54	54	In discussions for potential offtake contracts	–
Strathmore Solar, Alberta	Solar	2022	41	41	PPA with a large national Canadian company covering energy and RECs	2047
Enchant Solar, Alberta	Solar	2022	75	75	In discussions for potential offtake contracts	–
Bear Branch Solar, North Carolina	Solar	2022	35	35	PPA with Duke Energy Carolinas	2042
Hornet Solar, North Carolina	Solar	2022	75	75	PPA with Duke Energy Carolinas	2042
Hunter's Cove Solar, North Carolina	Solar	2022	50	50	PPA with Duke Energy Carolinas	2042

Portfolio optimization

Capital Power's commodity portfolio is comprised of generation assets, customer positions and trading positions. All commodity risk management and optimization activities are centrally managed by Capital Power's commodity portfolio management group. Portfolio optimization includes activities undertaken to manage Capital Power's exposure to commodity risk and enhance earnings. Overall commodity exposure within the portfolio is managed within limits established under Capital Power's risk management policies.

Capital Power manages its output from its commercial and contracted facilities with residual commodity exposure on a portfolio basis. Capital Power sells and/or buys physical and/or financial forward contracts that are non-unit specific to reduce exposure to facility-specific availabilities. Capital Power also takes positions in environmental commodity markets outside of Alberta to develop capability to support Capital Power's growth strategy and to generate trading profits.

Consolidated Net Income and Results of Operations

The primary factors contributing to the change in consolidated net income for 2020 compared with 2019 are presented below followed by further discussion of these items.

(unaudited, $ millions)		
Consolidated net income for the year ended December 31, 2019		**119**
Increase (decrease) in adjusted EBITDA:		
Alberta commercial facilities and portfolio optimization	(33)	
Alberta contracted facilities	32	
Ontario and British Columbia contracted facilities	70	
U.S. contracted facilities	(17)	
Corporate	(126)	(74)
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		(133)
Decrease in impairments		375
Decrease in gains on acquisition and disposal transactions		(24)
Increase in depreciation and amortization expense		(5)
Decrease in foreign exchange loss		5
Increase in finance expense and depreciation expense from joint venture		(4)
Increase in net finance expense		(41)
Increase in income before tax		99
Change in income tax expense or recovery		(88)
Increase in net income		**11**
Consolidated net income for the year ended December 31, 2020		**130**

Results by facility category and other

	Year ended December 31							
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	Electricity generation (GWh)[1]		Facility availability (%)[2]		Revenues and other income (unaudited, $ millions)		Adjusted EBITDA (unaudited, $ millions)[3]	
Total electricity generation, average facility availability and facility revenues	**23,806**	24,527	**95**	94	**1,621**	1,525		
Alberta commercial facilities[4]								
Genesee 3[5]	**3,781**	2,509	**95**	99	**177**	132		
Keephills 3[5]	**N/A**	1,353	**N/A**	95	**N/A**	72		
Clover Bar Energy Centre 1, 2 and 3	**485**	1,043	**94**	92	**43**	69		
Joffre	**698**	774	**98**	93	**59**	66		
Shepard	**3,260**	2,928	**100**	91	**141**	140		
Halkirk Wind	**536**	442	**97**	98	**46**	43		
Clover Bar Landfill Gas	**3**	–	**34**	–	**–**	–		
Alberta commercial facilities	**8,763**	9,049	**97**	94	**466**	522		
Portfolio optimization	**N/A**	N/A	**N/A**	N/A	**306**	203		
	8,763	9,049	**97**	94	**772**	725	**274**	307
Alberta contracted facilities[4]								
Genesee 1	**3,027**	3,044	**98**	92	**139**	118		
Genesee 2	**2,878**	3,167	**98**	99	**125**	140		
Whitla Wind 1[6]	**858**	77	**98**	97	**37**	3		
	6,763	6,288	**98**	95	**301**	261	**223**	191
Ontario and British Columbia contracted facilities								
Island Generation	**58**	721	**100**	98	**38**	38		
York Energy[7]	**14**	16	**99**	98	**N/A**	N/A		
East Windsor	**6**	11	**97**	99	**32**	35		
Goreway[8]	**968**	537	**93**	89	**211**	119		
Kingsbridge 1	**104**	105	**99**	98	**9**	9		
Port Dover and Nanticoke Wind	**308**	294	**98**	97	**45**	44		
Quality Wind	**457**	354	**97**	97	**54**	46		
EnPower	**23**	23	**90**	79	**2**	2		
	1,938	2,061	**96**	94	**391**	293	**302**	232
U.S. contracted facilities								
Roxboro, North Carolina[9]	**330**	324	**97**	94	**39**	38		
Southport, North Carolina[9]	**414**	459	**96**	90	**65**	67		
Decatur Energy, Alabama	**1,485**	2,145	**90**	93	**85**	87		
Arlington Valley, Arizona	**2,118**	2,934	**84**	95	**122**	154		
Beaufort Solar, North Carolina	**28**	29	**99**	99	**2**	3		
Bloom Wind, Kansas	**728**	717	**98**	99	**42**	44		
Macho Springs Wind, New Mexico	**129**	132	**98**	98	**15**	16		
New Frontier Wind, North Dakota	**427**	389	**97**	96	**34**	40		
Cardinal Point Wind, Illinois[10]	**412**	N/A	**95**	N/A	**40**	N/A		
Buckthorn Wind, Texas[11]	**271**	N/A	**95**	N/A	**19**	N/A		
	6,342	7,129	**91**	94	**463**	449	**230**	247
Corporate[12]					**55**	188	**(74)**	52
Unrealized changes in fair value of commodity derivatives and emission credits					**(45)**	47		
Consolidated revenues and other income and adjusted EBITDA					**1,937**	**1,963**	**955**	**1,029**

[1] *Gigawatt hours (GWh) of electricity generation reflects the Company's share of facility output.*

[2] *Facility availability represents the percentage of time in the period that the facility was available to generate power regardless of whether it was running, and therefore is reduced by planned and unplanned outages.*

[3] *The financial results by facility category, except for adjusted EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures.*

[4] *Based on the nature of future cash flows, the Alberta assets are combined as one CGU for impairment testing purposes. Since the cash flows of Genesee 1 and 2 were contracted through 2020, management continued to present facility results based on the Alberta Commercial and Alberta Contracted groupings through 2020.*

[5] On October 1, 2019, the Company divested its 50% share of Keephills 3 and, in exchange, acquired TransAlta's 50% share of Genesee 3.

[6] Phase 1 of Whitla Wind was commissioned on December 1, 2019.

[7] York Energy is accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint venture on the Company's consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $30 million for 2020, compared with $31 million for 2019. The facility's revenues are not included in the above results.

[8] Goreway was acquired on June 4, 2019.

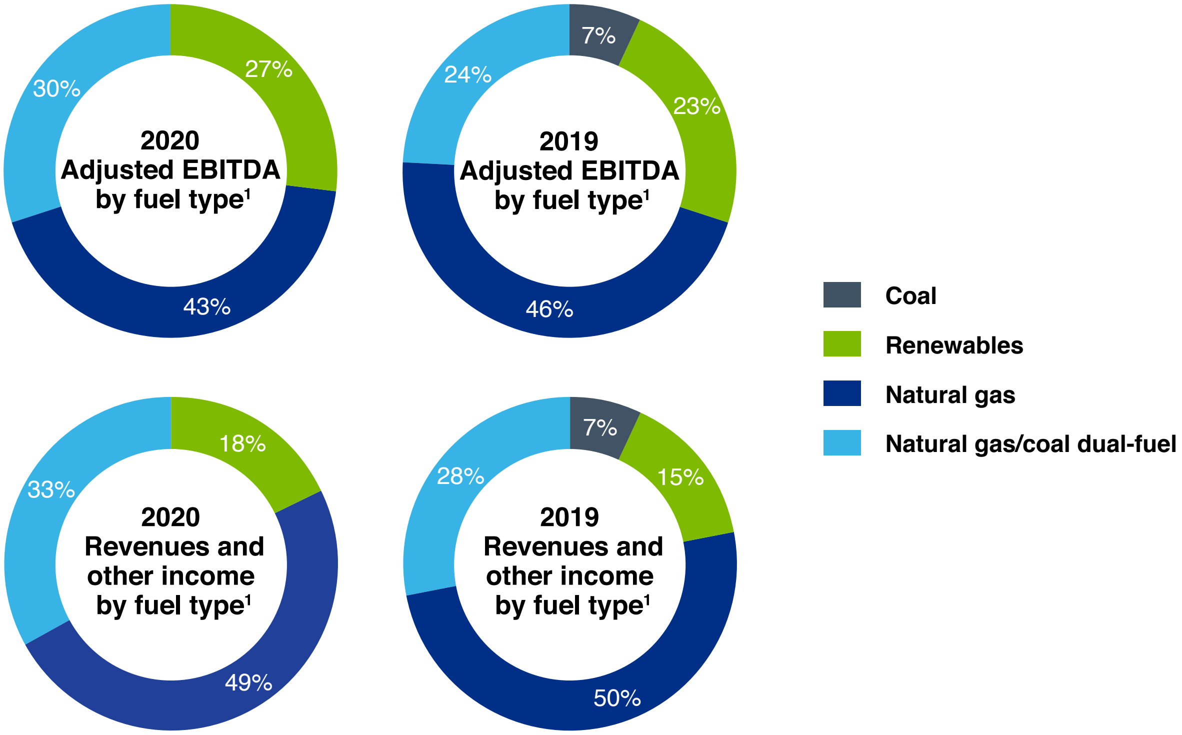
[9] The PPAs for the Southport and Roxboro facilities expire March 31, 2021, at which time those facilities will be retired.

[10] Cardinal Point Wind was commissioned on March 16, 2020 (see Significant Events, page 57).

[11] Buckthorn Wind was acquired on April 1, 2020 (see Significant Events, page 57).

[12] Corporate revenues were offset by interplant category eliminations.

Adjusted EBITDA and revenues and other income by fuel type



[1] Alberta commercial portfolio optimization adjusted EBITDA and revenues and other income is allocated to fuel source based on generation.

Energy prices and hedged positions

		Year ended December 31	
Alberta	Unit	**2020**	2019
Hedged position[1]	Percentage sold forward at beginning of year (%)	**72**	78
Spot power price average	$ per MWh	**47**	55
Realized power price[2]	$ per MWh	**58**	57
Natural gas price (AECO)[3]	$ per GJ	**2.16**	1.87

[1] Hedged position is for the Alberta baseload plants as well as a portion of Joffre and the uncontracted portion of Shepard.

[2] Realized power price is the average price realized as a result of the Company's commercial contracted sales and portfolio optimization activities.

[3] AECO refers to the historical virtual trading hub located in Alberta and known as the NOVA Inventory Transfer system operated by TransCanada Pipelines Limited.

Alberta commercial facilities and portfolio optimization

The Alberta spot price averaged $47 per MWh in 2020, compared to $55 per MWh in 2019. The decrease in spot prices in 2020 reflected lower market demand as a result of both reduced oil and gas production and the COVID-19 pandemic. In addition, moderate temperatures, stable baseload supply and strong hydro and wind generation all resulted in reduced pricing.

Availability for the year ended December 31, 2020 was higher than the corresponding period in 2019 primarily due to no planned outage and fewer unplanned outages at Shepard in 2020 and shorter planned outages at Joffre in 2020 compared with 2019. These favourable variances were partially offset by longer unplanned outages at Genesee 3.

Generation was lower in 2020 compared with 2019 primarily due to lower dispatch at Clover Bar Energy Centre and Joffre, despite the increased availability at these facilities. These decreases in generation were partially offset by fewer outage days at Shepard as described above and higher wind resource availability at Halkirk Wind.

Revenues and other income for the year ended December 31, 2020 were higher than the comparable period in 2019, driven by higher revenues from portfolio optimization activities, partially offset by lower revenues from Alberta commercial facilities due to lower generation and lower spot power prices in 2020. Higher revenues from portfolio optimization activities included higher sales of natural gas as well as a larger excess of realized power prices over spot power prices in 2020 as compared to 2019.

Adjusted EBITDA for the year ended December 31, 2020 was lower than in 2019, primarily due to the impact of lower generation and lower margins earned on the trading of emission credits. Margins earned on the trading of emission credits in 2020 largely reflected losses on the sale of California offsets and allowances as compared to gains in 2019 on Alberta offsets transactions. Also contributing to lower adjusted EBITDA for the year ended December 31, 2020 were higher emissions costs at Genesee 3 in 2020 driven by a change in the Company's emissions compliance strategy, whereby the Company now plans to settle its 2020 compliance obligation through payments into Alberta's Technology Innovation and Emissions Reduction (TIER) fund rather than settling through emissions offset usage. Partially offsetting these variances were higher margins earned on power and natural gas portfolio optimization activities. Realized power prices for 2020 were consistent with 2019.

Alberta contracted facilities

Generation, availability, revenues and other income and adjusted EBITDA for the year ended December 31, 2020 were higher compared with the corresponding period in 2019 primarily due to the commencement of commercial operations at Whitla Wind 1 in the fourth quarter of 2019 and no planned outage at Genesee 1 and 2 in 2020, compared with a planned outage at Genesee 1 in the second quarter of 2019. Despite no planned outages at Genesee 1 and 2 in 2020, generation for Genesee 1 and 2 was lower in 2020 compared with 2019 primarily due to lower dispatch by the power purchase arrangement buyer.

Ontario and British Columbia contracted facilities

Generation for the year ended December 31, 2020 was lower compared with the corresponding period in 2019 primarily due to lower dispatch at Island Generation, partially offset by higher wind resource availability at Quality Wind and the acquisition of Goreway in the second quarter of 2019. Availability for 2020 was higher than 2019 largely driven by more forced outage hours at Goreway in 2019 over a shorter period of ownership.

Revenues and other income and adjusted EBITDA were higher for the year ended December 31, 2020 compared with 2019 primarily due to the acquisition of Goreway in the second quarter of 2019 and higher generation at Quality Wind driven by higher wind resource availability. Revenues and other income do not include York Energy, which is accounted for under the equity method.

U.S. contracted facilities

Generation and availability decreased in the year ended December 31, 2020 compared with 2019 primarily due to lower dispatch at Decatur Energy and Arlington Valley, driven by lower demand, and higher planned outage hours at Decatur Energy and Arlington Valley in 2020. The unfavourable availability variances driven by these higher outage hours were partially offset by shorter planned and unplanned outages at Southport and Roxboro in 2020 compared to 2019. The unfavourable generation variances were partially offset by the commencement of commercial operations at Cardinal Point Wind (see Significant Events, page 57) in March 2020 and the acquisition of Buckthorn Wind in April 2020 (see Significant Events, page 57).

Revenues and other income for the year ended December 31, 2020 were higher than in 2019 largely due to the commencement of commercial operations of Cardinal Point Wind and the acquisition of Buckthorn Wind during 2020. These favourable variances were partially offset by lower revenue at Arlington Valley due to a revised tolling agreement in 2020, with lower pricing and two fewer months tolled, and lower tax attributes recognized by Bloom Wind and New Frontier Wind in 2020 compared with 2019.

Adjusted EBITDA for the year ended December 31, 2020 was lower compared with the corresponding period in 2019 primarily due to lower margins at Arlington Valley due to a revised tolling agreement in 2020, lower tax attributes recognized by Bloom Wind and New Frontier Wind in 2020 compared with 2019, as well as higher outage costs and lower dispatch at Decatur Energy and higher operating and outage costs at Arlington Valley in 2020 compared with 2019. These unfavourable variances were partially offset by the commencement of commercial operations of Cardinal Point Wind and the acquisition of Buckthorn Wind during 2020.

Corporate

Corporate results include (i) revenues for cost recoveries and other income related to coal compensation from the Province of Alberta, (ii) costs of support services such as treasury, finance, internal audit, legal, people services, corporate risk management, asset management, and environment, health and safety, and (iii) business development expenses. Note that cost recovery revenues are primarily intercompany revenues that are offset by interplant category transactions.

Net corporate revenues and other income in 2020 were lower compared with 2019 mainly as a result of the swap of interests in Genesee 3 and Keephills 3 during the fourth quarter of 2019 driving accelerated coal compensation revenue recognition in 2019 and lower monthly revenue recognition in 2020. Partly offsetting these impacts was accelerated monthly coal compensation revenue recognition beginning in December 2020 as a result of the Company's announcement of being off coal in 2023. Adjusted EBITDA for 2020 was lower than in 2019 primarily due to the noted coal compensation revenue impacts, an increase in the provision for the Line Loss Rule Proceeding (see Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 76), restructuring charges incurred in the third quarter of 2020 and costs related to the acquisition of Buckthorn Wind, partially offset by lower incentive expenses due to larger increases in the Company's share price during 2019 compared with 2020.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Year ended December 31			
Unrealized changes in fair value of commodity derivatives and emission credits	**2020**	2019	**2020**	2019
	Revenues and other income		Income before tax	
Unrealized gains (losses) on Alberta power derivatives	**14**	(19)	**(4)**	20
Unrealized (losses) gains on U.S. power derivatives	**(43)**	67	**(43)**	67
Unrealized (losses) gains on natural gas derivatives	**(2)**	–	**47**	33
Unrealized losses on emission derivatives	**(14)**	(1)	**(14)**	(1)
Unrealized losses on emission credits held for trading	**–**	–	**(1)**	(1)
	(45)	47	**(15)**	118

The Company's revenues and other income and adjusted EBITDA relating to its Alberta commercial facilities and portfolio optimization and U.S. wind facilities include realized changes in the fair value of commodity derivatives and emission credits. Unrealized changes in the fair value of commodity derivatives and emission credits are excluded from revenues and other income relating to the Alberta commercial facilities and portfolio optimization and U.S. wind facilities and are also excluded from the Company's adjusted EBITDA metric.

When a derivative instrument settles, the unrealized fair value changes recorded in prior periods for that instrument are reversed from this category. The gain or loss realized upon settlement is then reflected in adjusted EBITDA for the applicable facility category.

Unrealized losses on the Alberta power portfolio of $4 million were recognized by the Company in 2020, primarily due to the reversal of prior period unrealized gains on positions that settled throughout the year. This was partially offset by the impact of increasing forward prices on net forward purchase contracts not designated as cash flow hedges. During the comparable period in 2019, the Alberta power portfolio recognized unrealized gains of $20 million primarily due to the impact of increasing forward prices on net forward purchase contracts not designated as cash flow hedges, partially offset by the reversal of prior period unrealized net gains on positions that settled during 2019.

During the year ended December 31, 2020, the Company recorded unrealized losses of $43 million on U.S. power derivatives, due to the impact of increasing forward prices on the value of forward sales contracts associated with the Bloom Wind, New Frontier Wind, Cardinal Point Wind and Buckthorn Wind facilities. Partially offsetting these losses were gains on the Bloom Wind forward sales contract as a result of reduced notional volume forecasts which reduce the market value to be paid by the Company under the contract, but not the fixed amount to be received. During the comparable period in 2019, unrealized gains on U.S. power derivatives of $67 million were attributable to the impact of decreasing forward prices on the value of forward sales contracts associated with the Bloom Wind, New Frontier Wind and Cardinal Point Wind facilities.

Unrealized gains on natural gas derivatives of $47 million recognized in 2020 were due to the impact of increasing forward natural gas prices on net forward purchase contracts, as well as the reversal of prior period unrealized losses on purchase contracts that settled during the year. During the comparable period in 2019, the Company recognized unrealized gains of $33 million, which reflected the impact of increasing forward natural gas prices on net forward purchase contracts, as well as the reversal of prior period unrealized losses on purchase contracts that settled during 2019.

Unrealized losses of $14 million on emission derivatives recognized by the Company in 2020 were the result of the reversal of prior period unrealized gains on positions that settled during the year, as well as declining forward prices on forward purchase contracts. During the comparable period in 2019, unrealized losses of $1 million were the result of the reversal of prior period unrealized gains on positions that settled in 2019.

Consolidated other expenses and non-controlling interests

	Year ended December 31	
(unaudited, $ millions)	**2020**	2019
Interest on borrowings less capitalized interest	**(160)**	(133)
Realized losses on settlement of interest rate derivatives	**(11)**	(2)
Other net finance expense – interest on coal compensation from the Province of Alberta, lease liability interest, sundry interest, guarantee and other fees	**3**	3
	(168)	(132)
Unrealized (losses) gains representing changes in the fair value of interest rate derivatives	**(3)**	2
Other finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to coal compensation from the Province of Alberta	**(26)**	(26)
Total net finance expense	**(197)**	(156)
Impairments	**(26)**	(401)
Depreciation and amortization	**(478)**	(473)
Foreign exchange loss	**–**	(5)
Gain on acquisition transaction	**–**	24
Finance expense and depreciation expense from joint venture	**(27)**	(23)
Income tax (expense) recovery	**(82)**	6
Net loss attributable to non-controlling interests	**6**	6

Net finance expense

Higher net finance expense for 2020 is mainly due to financing related to the acquisition of Buckthorn Wind (see Significant Events, page 57) in the second quarter of 2020, interest on tax equity financing related to Cardinal Point Wind (see Significant Events, page 57) that commenced commercial operations in the first quarter of 2020, higher long-term debt interest related to the acquisition of Goreway in the second quarter of 2019 and lower capitalized interest due to construction of Cardinal Point Wind and Whitla Wind 1 in 2019.

Impairments

During the year ended December 31, 2020, the Company recognized pre-tax impairments of $13 million related to the discontinuation of the Genesee 4 and 5 project (see Significant Events, page 57) and $13 million related to the Genesee 1 and 2 dual-fuel project (see Significant Events, page 57).

During the year ended December 31, 2019, the Company recognized a pre-tax impairment of $401 million related to the classification of Keephills 3 as an asset held for sale prior to its divestiture in the fourth quarter of 2019.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2020 increased compared with the prior year primarily due to Cardinal Point Wind and Whitla Wind 1 commencing commercial operations, the addition of Buckthorn Wind in 2020 (see Significant Events, page 57) and the acquisition of Goreway in the second quarter of 2019. Largely offsetting these impacts was the net lower depreciation resulting from the swap of interests in Genesee 3 and Keephills 3 in 2019 driving lower depreciation in 2020 and lower amortization at Arlington Valley on the facility's tolling agreement in effect for 2020 as compared to the tolling agreement in effect for 2019.

Foreign exchange loss

Foreign exchange impacts for 2020 were nominal driven by the weakening of the Canadian dollar relative to the U.S. dollar during the first half of the year, followed by a recovery during the second half of the year.

Foreign exchange losses for 2019 were mostly attributable to the impact of the strengthening of the Canadian dollar relative to the U.S. dollar on the Company's forward U.S. dollar purchase contracts which were settled during 2019.

Gain on acquisition transaction

During the year ended December 31, 2019, the Company recognized a pre-tax gain of $24 million on the swap of interests in Genesee 3 and Keephills 3.

Finance expense and depreciation expense from joint venture

Finance expense and depreciation expense from joint venture includes Capital Power's share of finance expense and depreciation expense of York Energy, which is accounted for under the equity method. Finance expense and depreciation expense from joint venture increased in 2020 compared with 2019 due to higher losses on the interest rate non-hedge held within the York Energy joint venture as a result of declining interest rates in 2020.

Income tax (expense) recovery

In 2020, the Company recorded income tax expense of $82 million compared with an income tax recovery of $6 million in 2019. The increase in income tax expense was due to the recognition of a deferred tax recovery on the impairment of Keephills 3 in 2019 and the reversal of a deferred tax expense on the Company's investment in a subsidiary following the disposal of Keephills 3 in 2019, of which there is no comparable tax recovery recognized in the current year. Also, the decrease in the Alberta corporate income tax rate initiated on June 28, 2019 resulted in a deferred income tax recovery of $51 million in the year ended December 31, 2019, of which there is no comparable tax recovery recognized in the current year.

Non-controlling interests

Non-controlling interests mostly consist of the Genesee Mine partner's share of the consolidated depreciation expense of the Genesee Mine.

Comprehensive Income

(unaudited, $ millions)	Year ended December 31	
	2020	2019
Net income	**130**	119
Other comprehensive loss:		
Net unrealized losses on derivative instruments	**(12)**	(26)
Net realized (gains) losses on derivative instruments reclassified to net income	**(26)**	9
Unrealized foreign exchange losses on the translation of foreign operations	**(18)**	(39)
Actuarial losses related to the Company's defined benefit pension plan	**(5)**	(6)
Total other comprehensive loss, net of tax	**(61)**	(62)
Comprehensive income	**69**	57

Other comprehensive loss includes fair value adjustments on financial instruments held by the Company to hedge market risks and which meet the requirements of hedges for accounting purposes. To the extent that such hedges are ineffective, any related gains or losses are recognized in net income. Other unrealized fair value changes on derivative instruments designated as cash flow hedges and foreign currency translation gains or losses are subsequently recognized in net income when the hedged transactions are completed and the foreign operations are disposed of or otherwise terminated.

Financial Position

The significant changes in the consolidated statements of financial position from December 31, 2019 to December 31, 2020 were as follows:

	As at December 31,					
(unaudited, $ millions)	**2020**	2019	Increase (decrease)	Acquisitions through business combinations[1]	Other	Primary other changes
Trade and other receivables	**499**	334	165	1	164	Increase primarily due to gross LLR Proceeding[2] accruals and the revision of settlement timing of Alberta emissions liabilities from quarterly to annually and the resulting impact on flow-through amounts receivable from the PPA counterparty.
Government grant receivable	**387**	423	(36)	–	(36)	Decrease primarily due to the receipt of the 2020 payment related to the phase out of coal-fired generation, net of accrued interest on the receivable balance.
Right-of-use assets	**129**	95	34	7	27	Increase primarily due to the addition of land leases at Strathmore Solar (see Significant Events, page 57) and at Cardinal Point Wind on commencement of commercial operations (see Significant Events, page 57) less depreciation.
Property, plant and equipment	**6,098**	6,089	9	181	(172)	Decrease due to depreciation partly offset by capital additions, including Cardinal Point Wind and Whitla Wind 2, and foreign exchange impacts.
Net derivative financial instruments liabilities	**55**	64	(9)	(48)	39	Increase due to the impact of decreasing forward interest rates on existing interest rate swaps, decreasing forward prices on foreign exchange swaps transacted during 2020, increasing forward power prices on net forward power sales and decreasing forward prices on long-term environmental trade positions, partly offset by the impact of increasing natural gas forward prices on forward purchase contracts.
Trade and other payables	**470**	301	169	2	167	Increase primarily due to gross LLR Proceeding[2] accruals, revision of settlement timing of Alberta emissions liabilities from quarterly to annually and lower use of offsets for compliance in 2020, partly offset by a decrease to income taxes payable due to tax payable on the gain on disposal of K2 Wind in 2019, which was paid in 2020.
Loans and borrowings (including current portion)	**3,552**	3,413	139	103	36	Increase due to Cardinal Point Wind tax-equity financing received and the net impact of the medium-term note issuance and repayment (see Significant Events, page 57), partly offset by net repayments of credit facilities and non-cash repayments of tax equity financing.
Provisions (including current portion)	**501**	457	44	6	38	Increase mainly due to additional decommissioning liabilities incurred for development projects and revisions to existing decommissioning provisions driven by reductions in interest rates, partly offset by the removal of LLR Proceeding[2] provisions that are now reflected gross within trade and other receivables and trade and other payables.
Lease liabilities (including current portion)	**149**	111	38	7	31	Increase primarily due to the recognition of land leases at Strathmore Solar and on commencement of commercial operations at Cardinal Point Wind partially offset by lease payments.
Net deferred tax liabilities	**582**	488	94	37	57	Increase primarily due to the utilization of deferred partnership losses and an increase in taxable temporary differences that will reverse in the future.

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[1] *Includes the impact of assets and liabilities acquired through the Buckthorn acquisition (see Significant Events, page 57).*

[2] *See Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 76.*

Liquidity and Capital Resources

(unaudited, $ millions)	Year ended December 31		
Cash inflows (outflows)	**2020**	2019	Change
Operating activities	**611**	720	(109)
Investing activities	**(349)**	(866)	517
Financing activities	**(146)**	218	(364)

Operating activities

Cash flows from operating activities for 2020 decreased compared with 2019 due to various increases in cash outflows in 2020, including (i) an increase in income taxes paid, (ii) higher interest paid due to additional loans and borrowings, (iii) cash outflows for fair value changes in certain unsettled derivative financial instruments that are charged or credited to the Company's bank margin account held with a specific exchange counterparty compared to inflows in 2019 and (iv) lower changes in non-cash operating working capital in 2020 due largely to timing leading to higher collections of generation receivables in 2019 and net cash outflows for the first tranche of invoices for the LLR Proceeding in 2020, offset partly by the change in timing of Alberta emissions liabilities from quarterly to annual in 2020. These reductions were partially offset by an increase in cash inflows resulting from facility operations driven by the factors described in Consolidated Net Income and Results of Operations for adjusted EBITDA. The most notable factors include the acquisitions of Goreway in June 2019 and Buckthorn Wind (see Significant Events, page 57) in April 2020, Cardinal Point Wind beginning commercial operations in March 2020 (see Significant Events, page 57), the commissioning of Whitla Wind 1 in the fourth quarter of 2019, higher wind resource availability at Quality Wind and reduced outage hours at Genesee 1 and 2, including the noted deferral of the Genesee 2 planned outage to 2021. These operational factors were partially offset by lower realized gains on the trading of emission credits, higher emissions compliance costs at Genesee 3, reduced tolling revenues from Arlington Valley due to the revised tolling agreement in effect in 2020 and higher outage costs and lower dispatch at Decatur Energy.

Investing activities

Cash flows used in investing activities decreased compared with 2019 primarily due to the acquisition of Goreway in the second quarter of 2019 and lower capital expenditures during 2020 as Whitla Wind 1 was commissioned in the fourth quarter of 2019 and Cardinal Point Wind in March 2020. These impacts were partially offset by the acquisition of Buckthorn Wind (see Significant Events, page 57) in the second quarter of 2020, the increase of the Company's interest in C2CNT (see Significant Events, page 57) and by cash inflows from the collection of outstanding receivables from the disposal of K2 Wind in the first quarter of 2019.

Capital expenditures and investments

		Year ended December 31				
(unaudited, $ millions)	Pre-2019 actual	2019 actual	**2020 actual**	2021 estimated[1,2]	Actual or projected total[2]	Timing
Repowering of Genesee 1 and 2	–	–	**–**	352	997	Targeted completion for unit 1 in 2023 and unit 2 in 2024
New Frontier Wind	174	3	**–**	–	177	Completed in December 2018
Whitla Wind 1[3]	71	251	**12**	–	334	Completed in December 2019
Cardinal Point Wind[4]	28	228	**56**	–	312	Completed in March 2020
Whitla Wind 2 and 3	–	–	**33**	224	257	Targeted completion in the fourth quarter of 2021
Strathmore Solar	–	–	**2**	45	53	Targeted completion in the first quarter of 2022
Enchant Solar	–	–	**1**	10	102	Targeted completion in the fourth quarter of 2022
Bear Branch Solar	–	–	**1**	12	60	Targeted completion in the fourth quarter of 2022
Hornet Solar	–	–	**1**	23	118	Targeted completion in the fourth quarter of 2022
Hunter's Cove Solar	–	–	**1**	16	82	Targeted completion in the fourth quarter of 2022
Commercial initiatives[5]	16	65	**73**	27	206	
Development sites and projects	15	5	**4**	–		
Subtotal growth projects		**552**	**184**	**709**		
Sustaining – plant maintenance excluding Genesee Mine		74	**71**			
Sustaining – Genesee Mine maintenance and lands		10	**7**			
Total capital expenditures[6]		**636**	**262**			
Emission credits held for compliance		12	**35**			
Investment in C2CNT (see Significant Events, page 57)		–	**14**			
Capitalized interest		(13)	**(5)**			
Purchase of property, plant and equipment and other assets		**635**	**306**			

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[1] The Company's 2021 estimated capital expenditures include only expenditures for previously announced growth projects and exclude other potential new development projects.

[2] Projected capital expenditures to be incurred over the life of the ongoing projects are based on management's estimates. Projected capital expenditures for development sites are not reflected beyond the current period until specific projects reach the advanced development stage.

[3] The original projected total construction cost for Whitla Wind 1 was expected to be in the range of $315 million to $325 million. Actual project costs exceeded that range driven by foreign exchange impacts on U.S. dollar costs. These amounts were partially economically hedged by forward U.S. currency purchase derivatives which settled in the year ended December 31, 2019 resulting in realized foreign exchange gains of $8 million recorded in net income. The remaining foreign exchange differential is driven by movements in the U.S. dollar to Canadian dollar foreign exchange rate between the bid date of Whitla Wind 1 into the initial Alberta Renewable Electricity Program and the date that Whitla Wind 1 was awarded the contract, which were not hedged. Whitla Wind 1 began commercial operations in December 2019. The finalization of construction activities occurred during the first quarter of 2020.

[4] The total cost for Cardinal Point Wind of US$235 million is near the low end of the expected range of construction costs in the facility's U.S. dollar functional currency of US$236 million to US$246 million. In Canadian dollars, the total cost exceeds the expected range of construction costs of $289 million to $301 million driven by foreign exchange rate impacts.

[5] Commercial initiatives include the combustion turbine upgrade projects for Decatur Energy with capital expenditures incurred to the end of December 31, 2020 of $65 million (US$49 million). These projects resulted in an additional 60 MW of generation to date. Commercial initiatives also include expected spending on the Company's Genesee 3 dual-fuel project and the Genesee Performance Standard project as well as various other projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.

[6] Capital expenditures include capitalized interest. Capital expenditures excluding capitalized interest are presented on the consolidated statements of cash flows as purchase of property, plant and equipment and other assets.

Financing activities

The cash flows used in financing activities for the year ended December 31, 2020 primarily reflected payment of common and preferred share dividends, partially offset by net issuances of loans and borrowings. These net issuances included approximately $221 million (US$157 million) in net tax equity financing related to Cardinal Point Wind and a $350 million medium-term note offering, partially offset by the early redemption of $251 million of medium-term notes (see Significant Events, page 57) and normal course repayments of credit facilities and other loans and borrowings. Cash flows used in financing activities for 2020 compared with cash flows from financing activities for 2019 was primarily due to higher net funds received from the issue, net of repayments and repurchases, of shares and loans and borrowings in 2019, partially offset by lower repurchase of common shares under the Company's normal course issuer bid in 2020.

The Company's credit facilities consisted of:

		As at December 31, 2020			As at December 31, 2019		
(unaudited, $ millions)	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	Total facilities	Credit facility utilization	Available
Committed credit facilities	2024	**1,000**			1,000		
Letters of credit outstanding			**9**			50	
Bankers' acceptances outstanding			**–**			–	
Bank loans outstanding[1]			**193**			319	
		1,000	**202**	**798**	1,000	369	631
Bilateral demand credit facilities	N/A	**427**			430		
Letters of credit outstanding			**259**			189	
		427	**259**	**168**	430	189	241
Demand credit facilities	N/A	**25**	**–**	**25**	25	–	25
		1,452	**461**	**991**	**1,455**	**558**	**897**

[1] *U.S. dollar denominated bank loans outstanding totalling US$151 million (December 31, 2019 – US$246 million).*

As at December 31, 2020, the committed credit facility utilization decreased $167 million compared with the utilization as at December 31, 2019, due to decreased letters of credit and U.S. dollar bank loans outstanding most notably driven by the receipt of tax equity financing on Cardinal Point Wind during 2020. The available credit facilities provide the Company with adequate funding for ongoing development projects.

The Company has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P), which was affirmed in their latest report, published July 13, 2020. The BBB rating category assigned by S&P is the fourth highest rating of S&P's 10 rating categories for long-term debt obligations. According to S&P, a BBB corporate credit rating exhibits adequate capacity to meet financial commitments, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The Company has a corporate credit rating of BBB (low) with a stable outlook from DBRS Limited (DBRS), which was affirmed in their latest report, published April 7, 2020. The BBB rating category assigned by DBRS is the fourth highest rating of DBRS' 10 rating categories for long-term debt obligations. According to DBRS, long-term debt rated BBB is of adequate credit quality and the capacity of the payment of financial obligations is considered acceptable, but the entity is vulnerable to future events.

The above credit ratings from S&P and DBRS are investment grade credit ratings which enhance Capital Power's ability to re-finance existing debt as it matures and to access cost competitive capital for future growth.

Capital Power's loan and credit agreements require the Company to meet certain financial covenants as described below:

Financial covenant	Required at the end of each fiscal quarter	Actual as at December 31, 2020
Modified consolidated net tangible assets to consolidated net tangible assets ratio[1]	Not less than 0.75 to 1.0	0.89
Consolidated senior debt to consolidated capitalization ratio[1]	Not more than 0.65 to 1.0	0.56
Consolidated EBITDA to consolidated interest expense[1,2]	Not less than 2.5 to 1.0	3.50

[1] *As defined in the relevant agreements.*

[2] *Only in the event that Capital Power is assigned a rating of less than BBB- by S&P and less than BBB (low) by DBRS.*

Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's expected cash requirements for 2021 include:

(unaudited, $ millions)	2021 expected cash requirements
Repayment of debt payable[1]	358
Interest on loans and borrowings	97
Capital expenditures – sustaining	85
Capital expenditures – ongoing growth projects[2]	539
Capital expenditures – commercial initiatives	27
Common share dividends[3]	158
Preferred share dividends	51

[1] *Excludes repayment of credit facilities.*

[2] *Excludes deferred payments on the Genesee 1 and 2 repowering project.*

[3] *Includes 7% annual dividend growth, subject to approval by the Board of Directors of Capital Power, and assumes a 30% dividend reinvestment plan participation rate.*

The Company uses a short-form base shelf prospectus to provide it with the ability, market conditions permitting, to obtain new debt and equity capital from external markets when required. Under the short-form base shelf prospectus, Capital Power may raise up to $3 billion by issuing common shares, preferred shares, subscription receipts exchangeable for common shares and/or other securities of the Company and/or debt securities. This prospectus expires in June 2022.

If the Canadian and U.S. financial markets become unstable as they have during 2020, Capital Power's ability to raise new capital, to meet its financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. Capital Power has credit exposure relating to various agreements, particularly with respect to its power purchase agreement or arrangement (PPA), energy supply contract, trading and supplier counterparties. While Capital Power continues to monitor its exposure to its significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments. See Risks and Risk Management, page 78, for additional discussion on recent developments pertaining to these risks and Capital Power's risk mitigation strategies.

Off-statement of financial position arrangements

As at December 31, 2020, the Company has $268 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements and to satisfy legislated reclamation requirements. If the Company were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

Capital resources

	As at December 31	
(unaudited, $ millions)	**2020**	2019
Loans and borrowings	**3,552**	3,413
Lease liabilities[1]	**149**	111
Less cash and cash equivalents	**(367)**	(248)
Net debt	**3,334**	3,276
Share capital	**3,465**	3,441
Deficit and other reserves	**(565)**	(377)
Non-controlling interests	**29**	37
Total equity	**2,929**	3,101
Total capital	**6,263**	**6,377**

[1] *Includes the current portion disclosed within deferred revenue and other liabilities.*

Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions

Based on the Company's available credit facilities (see Liquidity and Capital Resources, page 72), access to capital markets and expectations for future periods' financial results, the Company has adequate liquidity to meet its contractual obligations as follows:

	Payments due by period						
(unaudited, $ millions)	2021	2022	2023	2024	2025	Thereafter	Total
Loans and borrowings[1]	358	69	74	719	82	1,862	3,164
Interest on loans and borrowings	97	89	89	87	66	218	646
Trade and other payables[2]	447	–	–	–	–	–	447
Lease liabilities	13	14	14	14	13	195	263
Capital – growth projects[3]	539	580	229	47	44	107	1,546
Capital – commercial initiatives[4]	27	23	2	–	–	–	52
Additional investment in C2CNT	13	–	–	–	–	–	13
Decommissioning provisions[5]	4	33	15	4	5	500	561
Energy purchase and transportation contracts[6]	196	138	131	100	79	622	1,266
Operating and maintenance contracts	69	64	63	61	83	421	761
Environmental credits[7]	–	1	4	11	3	7	26
Commodity and other derivative liabilities net of financial assets	1	4	1	4	2	30	42
Total	**1,764**	**1,015**	**622**	**1,047**	**377**	**3,962**	**8,787**

[1] *Repayments of loans and borrowings exclude fair value differentials of $17 million related to debt assumed on previous asset acquisitions and $400 million related to repayments of tax-equity financing through non-cash tax-equity attributes.*

[2] *Excluding accrued interest on loans and borrowings of $23 million.*

[3] *Capital Power's obligations for capital – growth projects in future periods include the repowering of Genesee 1 and 2, and the various renewables projects listed in the Liquidity and Capital Resources section, over the construction periods of those projects, as well as expected spend on other development sites and projects in 2021. These obligations exclude interest to fund construction of $84 million and refundable transmission system contribution payments.*

[4] *Capital Power's obligations for capital – commercial initiatives in future periods include the combustion turbine upgrade project for Decatur Energy, the Genesee 3 dual-fuel project (see Significant Events, page 57), the Genesee Performance Standard project, and various other projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.*

[5] *Capital Power's decommissioning provisions reflect the undiscounted cash flows required to settle obligations for the retirement of its generation facilities and the Genesee Mine.*

[6] *Energy purchase and transportation contracts include natural gas transportation contracts, which are based on estimates that are subject to changes in regulated rates for transportation and natural gas purchase contracts. The estimates for natural gas purchase contracts are subject to changes in expected consumption levels, and have expiry terms ranging from 2021 to 2037.*

[7] *Future environmental credit purchases are presented net of future environmental credits sales.*

Contingent liabilities

The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

Other legal matters

In each of 2017 through 2020, the Government of Alberta (GoA) withheld approximately $2.7 million from the Company's annual off-coal payment, on the basis of an alleged "implied term" of the Off-Coal Agreement. Capital Power believes there was no such implied term and has therefore sued the GoA for recovery of the withheld amount and specific performance for future payments. Similarly, the GoA amended its Linear Property Assessment Guidelines (the Guidelines) in 2017 to eliminate the anticipated cessation of coal emissions (and related business closures) from being considered in property tax assessments, which erroneously suggests that the off-coal payments were intended to compensate the Company for non-net book value related costs. In response, Capital Power and TransAlta jointly commenced litigation on the basis that the Guidelines discriminatorily applied only to three coal generators. The Court of Queen's Bench (the Court) hearing on this matter occurred on September 1, 2020 and a decision was issued on January 15, 2021. Unfortunately, the Court rejected all of Capital Power and TransAlta's arguments, concluding that the Guidelines were within the GoA's authority and were lawfully enacted. However, upon analysis of the Court's decision, there were several factual errors made by the Court that may constitute valid grounds upon which an appeal can be based. Therefore, both TransAlta and Capital Power have decided to seek an appeal. Assuming that leave to the Court of Appeal is granted, it is expected that a final Court of Appeal decision will not be available until the first quarter of 2022.

Line Loss Rule Proceeding

Capital Power participated in the LLR Proceeding before the Alberta Utilities Commission (AUC) regarding loss factors that form the basis for certain transmission charges paid by Alberta generators, including Capital Power. The LLR Proceeding addressed the replacement of the non-compliant LLR as well as the resulting adjustment of line loss charges and credits for the years 2006 up to and including 2016.

Based on current AUC decisions, Capital Power will incur additional charges related to historical periods and, as such, has recorded $20 million pertaining to the Company's estimated net liability, as described below. This amount reflects an increase of $5 million recorded during 2020 to reflect updated information published by the Alberta Electric System Operator (AESO). The invoicing process results in gross billings to Capital Power of which those amounts not attributable to Capital Power will then be recoverable from the appropriate parties.

The AUC rendered a decision on July 9, 2020 directing the AESO to issue three separate invoices for the various historic years instead of a single invoice for the entire period. The AESO's invoicing compliance plan was subsequently approved in September 2020. As a result, the AESO issued the first tranche of invoices covering the years 2014–2016 in October 2020, which were paid by the Company in December 2020. The amounts invoiced to Capital Power but not attributable to the Company pertaining to the first tranche of invoices have been invoiced to the appropriate parties for recovery with a portion received by the Company in December 2020. The second tranche of invoices covering the years 2010–2013 was received late in 2020 and the third tranche of invoices covering the years 2006–2009 is expected to be received in March 2021, with Capital Power in turn invoicing the appropriate parties for their respective shares along similar timelines. Payment and recovery pertaining to the second and third tranches of invoices is to occur in the first half of 2021, subject to the outcome of the dispute with the Alberta Balancing Pool (the Balancing Pool) relating to the Sundance C PPA LLR adjustments discussed below.

A brief AUC proceeding was also initiated at the end of November 2020 to consider whether a simple or compound interest approach should be applied to the LLR adjustments. On January 26, 2021, the AUC rendered a decision in which it ordered the use of simple interest, aligning with the approach reflected in the AESO's issued invoices.

To reflect the current invoicing process, for the period ended December 31, 2020, the Company recorded gross amounts in trade and other receivables and in trade and other payables as compared to the net amount recorded as a provision previously. As at December 31, 2020, the Company has recorded $83 million in trade and other receivables and $92 million in trade and other payables pertaining to the LLR Proceeding based on invoices received and expectations of recovery from the appropriate parties. The trade and other receivables and trade and other payables balances reflect the Company's respective recovery and payment of the first tranche of invoices in December 2020.

The Balancing Pool is disputing its liability to make payment for the LLR adjustment invoices related to the Sundance C PPA, which amounts to a net potential exposure to Capital Power of approximately $25 million. The Company believes the various agreements governing the termination and transfer of the Sundance C PPA and related transmission agreements with the AESO had the effect of transferring all past liabilities for the Sundance C PPA to the Balancing Pool. Capital Power has therefore filed a statement of claim at the Alberta Court of Queen's Bench on January 11, 2021 against the Balancing Pool, the Province of Alberta and the AESO in which it is seeking, among other relief, recovery from the Balancing Pool and the Province of Alberta of all amounts Capital Power is compelled to pay to the AESO on account of the LLR adjustment invoices relating to the Sundance C PPA as well as interest and legal costs, including the portion invoiced to the Balancing Pool but not received by the Company pertaining to the first tranche of invoices. Capital Power expects to ultimately realize the full amount of gross receivables related to the line losses upon resolution of the dispute before the Court.

Risks and Risk Management

Events within and outside of Capital Power bring both risk and opportunity, and effective risk management is a critical factor in protecting shareholder value. The principles of risk management are embedded into all aspects of our operations to ensure risks are effectively managed across the organization. We view risk management as an ongoing process and continually look for ways to enhance our risk management programs and procedures.

Capital Power maintains strong risk governance and oversight practices with the Board of Directors and its sub-committees' terms of reference outlining risk oversight responsibilities. Our Board is responsible for understanding Capital Power's principal risks and determining whether the Company achieves a proper balance between risk and returns, and that management ensures that systems are in place to address the risks identified. The Company employs an ERM program to support the Board's governance requirements and the Company's overall risk monitoring and management.

Capital Power's ERM program aligns with the Committee of Sponsoring Organizations' standard for enterprise risk management and is supported by our *ERM Policy* framework. The ERM program is the mechanism used to identify, assess, categorize, respond to, report on and monitor key risks. Risks are assigned to individual executive risk owners who are accountable for carrying out the risk management and response strategies, with the President and CEO having ultimate accountability for managing the Company's risks.

Our ERM program uses a systematic approach to perform risk assessments with subject matter experts across Capital Power, which are incorporated in two key annual corporate processes: (1) strategic and long-term planning and (2) operational planning and budgeting. A comprehensive analysis of the risk assessments performed during these two key corporate processes is reported to Capital Power's Board of Directors with material updates to risks as required. Results of the risk assessments are also shared with Capital Power's Internal Audit team to inform the annual risk-based internal audit plan. This audit plan seeks to provide Capital Power's Board of Directors and management with independent assurance that key risks are being effectively managed and that the systems of internal controls are properly designed and working effectively.

In addition to the ERM program, Capital Power has risk management and compliance functions across the organization, including in the Finance, Legal and Planning departments.

Capital Power's principal risk factors could have an adverse impact on the Company's business operations and results, financial condition and strategy, ability to execute our growth strategy, or reputation. Capital Power's principal risk factors and the associated risk mitigation strategies are described below.

Climate change

Capital Power has prepared an assessment of climate-related risks and opportunities to conform with the recommendations of the Task Force on Climate-related Financial Disclosures. This involved assessing the risks and opportunities that may arise under three different scenarios. The scenarios include a status quo policy pathway, a more stringent policy pathway that maintains global warming below 2 degrees Celsius and achieves net-zero carbon emissions by 2070, and a more aggressive pathway that accelerates efforts to address climate change and achieve net-zero carbon emissions by 2050. The resiliency of our strategy was assessed under the various scenarios, and our responses to the risks and opportunities are included in our disclosures. This document can be accessed on the Company's website via the following link: https://www.capitalpower.com/2020-capital-power-climate-change-disclosure/.

Climate change risk discussion is incorporated across this and other subsections of this Risk and Risk Management section, including fuel supply and price, political and regulatory, business resiliency, disruptive technology, people, operation and maintenance of equipment and systems, stakeholder activism, and reputation risks.

Climate change will continue to be a primary theme driving the industry in which Capital Power operates for the foreseeable future. Capital Power's portfolio of assets includes a diversity of fuel types, including thermal facilities in Canada and the U.S. Decarbonization trends therefore create risks, particularly around carbon price and policy, which may result in higher compliance obligations and reduced margins for our thermal fleet. Carbon pricing is a central mechanism of climate policy in Canada, compared to the U.S., where it is expected to be widely adopted and expanded in the foreseeable future.

In addition to risk, decarbonization trends also create a significant opportunity for power generation and Capital Power, and have been directly integrated into Capital Power's annual business strategy and long-term planning process. The Company continues to monitor these trends and assess the resiliency of our strategy in the short, medium and long term under various scenarios.

Strategies employed for managing climate change risk:

- Portfolio evolution to lower emitting and renewable assets resulting in a lower greenhouse gas compliance obligation, accelerated by our decision to repower Genesee 1 and 2, which will bring the Company off coal in 2023.
- The repowering of Genesee 1 and 2 will deploy the best-in-class natural gas combined cycle technology available, which includes carbon capture readiness and hydrogen capability.
- Development of expertise and investment in carbon capture and utilization technology, such as C2CNT, and the development of the Genesee Carbon Conversion Centre, expected to be operational in the first half of 2022.
- Expand our already significant expertise in the development and construction of renewables facilities.
- Regular engagement with government bodies to participate in the development of carbon and other environmental policy.
- Compliance cost management via an active presence in environmental commodity markets.
- Proactive pursuit of opportunities to enhance the reliability and efficiency of the Company's renewables facilities.
- Scenarios and sensitivity analysis relating to carbon prices and government policy in all commercial decision making and due diligence.
- Assessing technology selection, jurisdiction and environmental risks when conducting due diligence for development projects and acquisitions.
- Actively monitoring the insurance market for material changes to insurance policies that may affect the Company's ability to seek coverage for high-risk assets.
- Development of the Genesee Performance Standard program targeting efficiency and performance improvements to both natural gas and coal operations.

Power price

Capital Power's revenues are impacted by the market price for power in the jurisdictions and markets in which we operate. Market power price is dependent on a number of factors, including: electricity supply and demand, the Company's cost to generate electricity, which could include the cost of natural gas and applicable environmental and regulatory compliance costs, competitors' bidding strategies, power market structures, and weather conditions. It is not possible to predict future power prices with certainty, and power price volatility could have a material effect on Capital Power.

The Company's largest exposure to power price is from our merchant cash flows in the Alberta wholesale market. This exposure increases in 2021 due to the expiration of the Genesee 1 and 2 PPAs at the end of 2020. Electricity demand in Alberta has been negatively impacted by both the reduction in economic activity due to COVID-19 as well as the reduction in oil production due to low oil prices. Although we expect a full recovery of demand in Alberta by mid-2021 as COVID-19 is brought under control, prolonged impacts from the pandemic could continue to put downward pressure on power prices. Downward pressure on power prices could persist beyond 2021, should the Alberta economy remain weak, despite continued diversification efforts.

The Company has announced its plans to repower Genesee 1 and 2 by 2023 and 2024, respectively, which will increase the competitiveness of the units' position in the merit order. The Company will deploy best-in-class natural gas combined cycle technology to repower Genesee 1 and 2, which will reduce variable production costs significantly. Although Genesee 3 is not covered by a long-term commercial contract, it is a baseload coal-fired generating unit with relatively low variable costs that generally runs when it is available. The Genesee 3 dual-fuel transformation will be fully complete by 2022, increasing the unit's competitiveness in the merit order, and the unit will no longer burn coal from 2023 on. Electricity sales and steam sales associated with the Joffre facility located at the Nova Chemicals Company (NOVA) petrochemical complex are subject to market price variability as there are provisions in the contract with NOVA that require the facility to run to provide steam to the host facility, irrespective of market prices. For the Company's Genesee units, Clover Bar Energy Centre, Halkirk, Joffre and Shepard facilities, spot power prices affect profitability.

Capital Power uses derivative instruments, including futures, forwards, options and swaps, to manage its power price and financial market risks inherent in its electricity generation operations. These activities, although intended to mitigate price volatility, expose Capital Power to other risks. When Capital Power sells power forward, it gives up the opportunity to sell power at potentially higher prices in the future. Selling forward may also result in losses if the underlying price to provide replacement power, in the event of an outage, turns out to be greater than the contract price. In addition, Capital Power purchases and sells electricity-based contracts for merchant trading purposes. In the future, Capital Power could recognize financial losses on these contracts because of volatility in the market values of the underlying commodity.

Capital Power is exposed to market risks through its power marketing business, which involves the sale of energy, capacity and related products, and the purchase and sale of fuel, transmission services and emission allowances. These market risks primarily include volatility arising from location and from timing differences that may be associated with buying and transporting fuel, converting fuel into energy, and delivering the energy to a buyer.

When aggregate customer electricity consumption (load shape) changes unexpectedly, Capital Power is exposed to power price risk. Load shape refers to the different pattern of consumption between peak hours and off-peak hours. Consumption is higher during peak hours when people and organizations are most active; conversely, consumption is lower during off-peak hours at night or early morning. When consumption varies from historical consumption patterns and from the volume of electricity purchased for any given peak-hour period, Capital Power is exposed to prevailing market prices because it must either buy electricity if it is short or sell electricity if it is long. Such exposures can be exacerbated by other events such as unexpected generation facility outages and unusual weather patterns.

Strategies employed for managing power price risk:

- Practice strong governance through the Risk Oversight Council (consisting of the senior management representatives appointed by the President and CEO), which establishes the overall direction, structure, conduct and control of Capital Power's commodity exposure management activities, both in physical and financial derivatives markets.
- Execute the Company's growth strategy and re-contract generation facilities under new or extended contracts to maintain a balance of contracted and non-contracted facilities.
- Invest in operational efficiencies to maintain the competitiveness of the Company's thermal assets in the merit order.
- Limit exposure to market price volatility by entering long-term power contracts on certain of our generation units. Examples include contracts-for-differences, and back-to-back physical and financial contracts to lock in a margin.
- Continually evolving the sophistication of our risk management program and our strong expertise in the jurisdictions in which we operate.
- Maintain a commodity risk management program that provides the infrastructure to manage commodity and trading risks associated with the commodity business.
- Take market risk positions within authorized limits approved by Capital Power's Executive Team and Board of Directors.
- The Executive Team has access to daily risk reports that provide key risk measures in relation to applicable limits, and quarterly risk reports are reviewed by Capital Power's Audit Committee.
- Perform regular commodity portfolio stress testing to observe the effects of plausible scenarios considering historical price movements and certain hypothetical extreme events.

- Minimize exposure to extreme price fluctuations, especially during higher-priced peak-hour periods. To do this, Capital Power relies on historical load shape data provided by load settlement agents and local distribution companies to anticipate what the aggregate customer electricity consumption will be during peak hours.
- Limit exposure to spot price variability within specified risk limits by entering various purchase and sale arrangements for periods of varying duration. Due to limited market liquidity and the variability of electricity consumption between peak hours and off-peak hours, it is not possible to hedge all positions every hour. The Company operates under specific policy limits, such as total commodity risk and stop-loss limits, and generally trades in electricity to reduce the Company's exposure to changes in electricity prices or to match physical or financial obligations.

Fuel supply and price

Capital Power requires energy from sources such as natural gas, coal, wind and the sun to generate electricity. The Company will also use wood waste and tire-derived fuel (TDF) up until early 2021 when our Southport and Roxboro plants will be retired. A disruption in the supply or a significant increase in the price of any supplies required by Capital Power or the availability of renewable resources could have a material adverse impact on Capital Power's strategy, financial condition and results of operations. The price of energy supply depends on a number of factors, including: the supply and demand for fuel supplies, the quality of the fuel, the cost of complying with applicable environmental and other regulatory requirements, and transportation costs. In the case of natural gas, prices are also influenced by weather conditions, storage inventory levels, drilling levels and production, imports, and general economic conditions. Changes in any of these factors could increase Capital Power's cost of generating electricity or decrease Capital Power's revenues due to production cutbacks.

The reduction in oil prices in 2020 has driven a reduction in oil production, which also impacts natural gas production tied to oil drilling. These reductions in natural gas supply have put upward pressure on natural gas prices that could continue beyond 2020.

Coal for the Genesee units is supplied under long-term agreements where the price is based on a cost-of-service model with annual updates for inflation, interest rate and capital budget parameters and is therefore not subject to coal market price volatility. A shortage of coal supply resulting from significant disruption of the coal mine equipment and operation could negatively impact generation and revenues from these plants. Capital Power plans to be completely off coal in 2023 through the retirement of its Southport and Roxboro facilities, the repowering of Genesee 1 and 2 and the dual-fuel transformation of Genesee 3. The repowering and natural gas transformation of the Genesee units introduces a greater degree of exposure to AECO natural gas prices than Capital Power has seen in the past. Accordingly, natural gas price volatility could have a significant impact on the Company's cost of generating electricity, particularly after 2023.

Capital Power's merchant natural gas-fired facilities are susceptible to the risks associated with the volatility of natural gas prices. Natural gas purchases for these facilities are made under variable price contracts and when a facility's heat rate (a measure of fuel efficiency) does not meet expectations, unit profitability is affected. Our risk exposure to variable natural gas pricing for Arlington Valley, Decatur Energy, East Windsor, Goreway, Island Generation and York Energy is substantially or fully mitigated by their long-term PPAs.

Capital Power uses derivative instruments for merchant trading purposes and to manage its natural gas and emission allowances and financial market risks inherent in its electricity generation operations to mitigate price volatility. In the future, Capital Power could recognize financial losses on these contracts because of volatility in the market values of the underlying commodities.

Capital Power's wind and solar power facilities are dependent on the availability and constancy of sufficient wind and solar resources to meet projected capacity factors. Fluctuations in wind speed or duration, as well as hours of sunlight, could have a material negative impact on revenues for these facilities in any year.

Strategies employed for managing fuel supply and price risk:

- The strategies described in power price risk above, such as the Risk Oversight Council, commodity risk management program, corporate governance over market positions and key risk measures and commodity portfolio stress testing also apply to fuel supply and price risk related to natural gas.
- Fuel-type diversification across our fleet.
- Establish long-term natural gas transportation agreements.
- Maintain coal stockpile inventories.
- Establish contracts with fuel cost, including carbon cost, flow-through provisions, where possible.
- Limit exposure to market price volatility by entering long-term natural gas hedges on certain of our generation units. Examples include contracts-for-differences, and back-to-back physical and financial contracts to lock in a margin.
- Actively participate on the Genesee Mine Joint Venture Committee and exercise contractual rights as required.
- Ongoing asset optimization initiatives, such as the Genesee Performance Standard program, targeting efficiency and performance improvements.
- Manage compliance costs via an active presence in environmental commodity markets.
- Thorough due diligence on wind and solar data prior to development or acquisition of facilities.
- Keep apprised of new technology that may increase generation by capturing more wind or sun.

Political and regulatory

Capital Power is subject to risk associated with changing political conditions and with changes in federal, provincial, state, or local laws and regulations or common law and their interpretation by relevant authorities. The Democratic win in the 2020 U.S. Presidential election could have a financial impact on our thermal generating facilities in the United States should President Joe Biden's Clean Energy Revolution result in policies and regulations unfavourable to Capital Power. It is not possible to predict with complete accuracy all changes in the legislative and regulatory environment or their impact on the Company's business, operations or the markets in which the Company operates.

Capital Power is required to maintain numerous licenses, permits and governmental approvals for the development, construction and operation of its projects and participation in its markets. If Capital Power fails to satisfy the conditions of these instruments, there could be an adverse impact on the effectiveness and cost of those projects or operations.

Capital Power's thermal assets are emitters of various air pollutants in addition to carbon, including NO_x, SO_2, mercury and particulate matter, and consume water to generate electricity. Accordingly, Capital Power's operations are subject to extensive environmental laws, regulations and guidelines relating to the generation and transmission of electricity, pollution and protection of the environment, health and safety, air emissions, water usage, wastewater discharges, hazardous material handling and storage, treatment and disposal of waste and other materials, remediation of sites, and land-use responsibility.

These regulations can impose a liability for costs to investigate or remediate contamination. Compliance with new regulatory requirements may require Capital Power to incur significant capital expenditures, additional operating expenses or cause operations at certain facilities to end prior to the end of their economic life; failure to comply with such regulations could result in fines, penalties or the curtailment of operations. Further, there can be no assurance that compliance with or changes to environmental regulations will not materially adversely impact Capital Power's business prospects, financial condition or operations.

The Company is subject to requirements around minimizing the impact to wildlife at its wind facilities. Capital Power complies with all regulatory requirements, which include completing pre-disturbance bird and bat studies and post-construction bird and bat monitoring programs.

The operations of the Company's wind assets are also required to follow appropriate sound level regulations and could be exposed to facility curtailment in the event of non-compliance. Capital Power complies with all applicable regulations, including completing applicable noise impact assessments.

Capital Power's ability to develop new projects is also affected by the availability of transmission and distribution systems. If restrictive transmission price regulation is imposed, transmission companies may not have sufficient incentive to invest in expansion of the transmission infrastructure. In addition, the Alberta power market has several existing transmission connections to neighbouring external markets. Any material expansion of those existing interconnections, or the creation of new interconnections, could have a material adverse impact on Capital Power's business in Alberta. Capital Power cannot predict whether transmission facilities will be expanded in specific markets to accommodate competitive access to those markets.

See Regulatory Matters, page 93, for further discussion of current regulatory items.

Strategies employed for managing political and regulatory risk:

- Predict and identify existing, new or changed laws or regulations, or changed interpretations of such, and prepare and advocate appropriate responses or plans.
- Comply with all applicable laws, regulations and guidelines and monitor compliance.
- Perform environmental compliance audits and take corrective actions as necessary.
- Establish positive relationships with relevant levels of government, agencies and stakeholders.
- Participate in all relevant consultation processes. Execute on-time permitting, license renewals and other activities associated with laws and regulations.
- Proactively identify environmental risks within operations, maintenance and construction activities and promote awareness throughout and at all levels of the Company.
- Capital Power is currently enhancing its water management plan with changes expected to be in place in 2021.
- Ensure that contractors align with Capital Power's environmental policies and procedures.
- Support the timely development of appropriate transmission capability through active relationships with regulators and government.
- Management actively monitors emission abatement technologies and assesses opportunities to expand the Company's portfolio of technologies that may have direct application in reducing emissions in natural gas generating assets.

Business resiliency

Capital Power's ability to maintain safe, reliable operations can be disrupted by extreme events such as pandemics, natural disasters, extreme weather conditions, physical terrorist attacks and major accidents or events including environmental incidents. Climate change could cause an increase in the frequency and severity of extreme weather events, which could adversely impact Capital Power's current and future assets. If the Company is unable to quickly adapt to such disruptions, our people, assets, reputation and business operations could be at risk.

Strategies employed for managing business resiliency risk:

Capital Power continues to place the utmost importance on the health and safety of its employees as the COVID-19 pandemic persists. The Company has enacted the following additional measures for all locations:

- Remote work was enacted March 13, 2020 with physical access to Capital Power sites restricted to critical infrastructure workers only.
- COVID-19-specific hazard assessments were completed for all work locations, including our generating facilities, office locations and work from home.
- Fleet-wide protocols and procedures were developed, including signage, enhanced cleaning, site access screening protocols and temperature checks, COVID-19-specific personal protective equipment, a suspected case procedure, including contact tracing, and return-to-work protocols for employees and contractors.
- Altered shift changes to minimize staff interactions between critical infrastructure workers.
- Implemented COVID-19 health assessment tools, including a dashboard that tracks key factors such as the effectiveness of proactive COVID-19 measures, staff wellness and a regional health overview.
- Developed remote capability and took the step to isolate the control rooms, the heart of each plant, and installed hospital-grade UV equipment to sterilize the rooms.
- Introduced a tele-medicine program that provides 24/7 virtual health care support to employees and their families.
- Provided masks to employees and their families.
- Conducted COVID-19 education and awareness campaigns.
- Provided ongoing communication updates from senior management.

Management teams across the Company are also actively enhancing and acting on contingency and business continuity plans to ensure critical workers have the knowledge, support and resources they need to continue to perform their functions under many different scenarios.

Thus far, the efforts noted above have successfully contributed to a safe and healthy workforce at Capital Power. In addition, Capital Power has actively engaged with government officials, security and reliability networks, service providers and other peer groups to ensure that the Company's power generation operations and personnel were covered by relevant essential services designations developed by governments as part of their response to the COVID-19 situation. These designations minimized the likelihood of any disruption to our ability to generate power.

Other strategies employed to manage business resiliency risk include:

- Establish and maintain emergency and other related contingency planning measures to enable the timely response to and recovery from extreme weather and other events.
- Regular assessment of our facilities for physical risks, including impacts resulting from extreme weather or other climate-change risks and, where beneficial, undertake physical changes at our facilities to mitigate those risks.
- Regular communication with external governmental and industry groups to share threat intelligence, trend analysis and best practices.
- Establish and maintain a physical security management program that is based on industry guidelines and best practices.
- Periodic internal audits of our facilities to ensure that physical security measures are aligned with the Company's risk profile.
- Maintain appropriate insurance coverage.
- Maintain fuel-type and geographic diversity.

Competition, acquisition, development and construction

In the course of assessing development and acquisition opportunities, Capital Power may be required to incur significant expenditures, such as those related to preliminary engineering, permitting, legal and other expenses, before determining whether a project is feasible and economically viable. Competition on acquisition and development opportunities is significant and there can be no assurance that Capital Power will pursue or win any opportunity assessed.

The risks associated with acquisitions of additional companies or assets in the power generation industry include the failure to identify material problems during due diligence, the overpayment for assets and the inability to arrange financing for an acquisition. Further, the integration and consolidation of acquisitions requires substantial human, financial and other resources. There can be no assurances that any future acquisitions will perform as expected or that the returns from such acquisitions will cover the cost of financing incurred to acquire them or the capital expenditures needed to develop them.

Capital Power must complete numerous tasks in developing and constructing a power generation facility. Tasks include obtaining government permits and approvals, site agreements, construction contracts, access to power grids, electrical transmission agreements, fuel supply and transportation agreements, equipment, and financing. There can be no assurance that Capital Power will be successful in completing such tasks on a timely basis or at all. The development and future operation of power generation facilities can be adversely affected by changes in government policy and regulation, environmental concerns, stakeholder activism, increases in capital costs, increases in interest rates, competition in the industry, labour and parts availability, labour disputes, increases in material costs, and other matters beyond the control of Capital Power. If a project is not completed or does not operate at anticipated performance levels, Capital Power may not be able to recover its investment.

Strategies employed for managing competition, acquisition, development and construction risk:

- Strong governance and oversight as business development opportunities are pursued in consultation with our Board of Directors and in accordance with the Company's corporate long-term plan and corporate strategy.
- Governance process for how Capital Power develops business opportunities from the initial phase through to the integration of an asset into the Company. This process provides a framework for accountability and helps identify and mitigate risks associated with major projects.
- Perform detailed project analyses, risk assessments and due diligence, including exploring opportunities to add operational value, prior to and during construction or acquisition.
- Perform post-implementation evaluation of all major acquisition and development projects to improve internal capabilities and processes and to leverage lessons learned for future projects. When necessary, corrective actions are taken to increase the likelihood of investment recovery.
- Enter favourable long-term contracts for the projects' output, whenever possible.
- Establish positive relationships with suppliers.

Disruptive technology

Evolving technologies in the power industry may impact the competitiveness of Capital Power's fleet and the success of our strategy (see Our Strategy, page 6). Ongoing research and development activities improve upon existing power technologies and reduce the cost of alternative methods of power generation. Capital Power's facilities may over time be unable to compete with newer more efficient facilities utilizing improvements to existing power technologies and cost-efficient new technologies.

Climate change will drive significant innovation and transformation of the power sector, including energy production and consumption. Capital Power's focus on sustainability is a key component in ensuring that the Company's business model remains flexible and resilient as technology evolves.

Strategies employed for managing disruptive technology risk:

- Management and Capital Power's Board of Directors evaluate the Company's strategy on an ongoing basis, including anticipating disruptive technologies that may complement the Company's strategy.
- Management monitors emerging technologies with regular assessments and evaluations of economics of competing technologies.
- Management actively monitors emission abatement technologies and assesses opportunities to expand the Company's portfolio of technologies that may have direct application in reducing emissions in natural gas generating assets.
- Ongoing investment in C2CNT.

Cyber security and systems

Capital Power's ability to carry out its normal business processes is dependent on the performance and security of the key information and operational technology systems that support its core operations. Cyber-attacks on the Company or through our supply chain are possible and, if successful, could result in the loss or misuse of sensitive information or damage to physical assets and could have significant adverse impacts on the Company's operations. Failure of any key information or operational technology systems, during or after implementation, could result in significant lost revenues, increased costs or regulatory fines.

Capital Power adopted a work-from-home policy for non-plant staff in 2020 due to COVID-19. This policy continues to be in effect and having a remote work force increases certain cyber threats, such as increased malicious network traffic and phishing attacks. Capital Power has continued to maintain a secure environment through measures such as secure remote access with multifactor authentication, remote patching and deployment of malware updates, and a more rigorous cyber-security training and awareness program.

Strategies employed for managing cyber-security and systems risk:

- The Cyber Security Leadership Council, comprised of senior leaders from various areas of the Company, meets regularly to monitor the effectiveness of the strategies above and to address new and evolving risks.
- Establish and maintain disaster recovery and backup plans to ensure critical systems and processes can be recovered in the event of a cyber-attack.
- Automated and artificial intelligence-backed monitoring of the Company's information and operational technology systems, logs and security events.
- Regular communication with external governmental and industry groups to share threat intelligence, trend analysis and best practices.
- Periodic external audits of the effectiveness of the Company's information and operational technology security systems.
- System safeguards to combat the ever-increasing sophistication in phishing attacks.
- End user cyber-security training and awareness program.
- Ensure critical assets meet North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection standards, based on each respective asset's categorization and the applicable regulatory region's requirements.
- Minimize the customization of commercial software, monitor impacts on processes and internal controls, and undertake remedial actions, if required.
- Ensure implementation projects are properly resourced with qualified and trained staff and contractors.
- Employ change management to ensure all enhancements are fully tested and approved, prior to production deployment.
- Participation in GridEx, a grid security exercise organized every two years by NERC and the Electricity Information Sharing and Analysis Center (E-ISAC).
- Implementation of a supply chain cyber-risk management plan.

People

Capital Power's ability to maintain reliable operations of its facilities and to grow the business is dependent upon attracting, retaining and developing sufficient labour and management resources and the ability of our workforce to function normally and remain healthy during the COVID-19 pandemic. People are at the heart of our business and the Company places a strategic focus on attracting the right people and creating an experience where they remain engaged, motivated and empowered.

COVID-19 accelerated the momentum behind changes Capital Power anticipated, such as offering non-traditional working arrangements. We expect that new approaches to work at the plants and office environment will continue post-COVID-19. Capital Power is experiencing a demographic shift as a significant number of its employees are expected to retire over the next several years. Failure to secure sufficient qualified labour may negatively impact Capital Power's operations or construction and development projects or may increase expenses. Capital Power's current collective bargaining agreements expire periodically. Although not a common occurrence in Capital Power's history, the renegotiation of the collective agreements bears the risk of labour disruption or significant increases in labour costs.

The Company's collective agreement with UNIFOR 829, which represents power engineers located at the Genesee power plant, expired December 19, 2020. All existing terms, conditions and wage rates in the expired collective agreement will continue in force and effect until a new collective agreement is reached. Negotiations related to a new collective agreement commenced in the fourth quarter of 2020 and are ongoing.

The Company's collective agreement with IBEW 1007, which represents employees directly engaged in the maintenance of electrical generation at the Genesee power plant, expired December 19, 2020. All existing terms, conditions and wage rates in the expired collective agreement will continue in force and effect until a new collective agreement is reached. Negotiations related to a new collective agreement have not yet started.

The Company's collective agreement with UNIFOR 1123, which represents maintenance workers and power engineers at the Island Generation facility, expires April 30, 2021. All existing terms, conditions and wage rates in this collective agreement will continue in force and effect until a new collective agreement is reached. Negotiations related to a new collective agreement have not yet started.

The Company's collective agreement with CSU 52, which represents certain administrative, technical, professional and information technology employees located in the Edmonton corporate office and Genesee power plant, is set to expire December 18, 2021.

Strategies employed for managing people risk:

- Maintain strong people services programs and practices, including flexible work arrangements, multi-faceted wellness programs, appropriate ethics and employee conduct policies and programs, a diversity and inclusion committee and strategy, employee engagement tracking, monitoring of developments, and workforce and contingency planning.
- Maintain competitive compensation programs.
- Maintain succession plans for key positions.
- Maintain strong collective bargaining capability, programs and practices.
- Make career development plans and opportunities and talent management programs available to all employees.

The development, construction, ownership and operation of Capital Power's generation assets carry an inherent risk of liability related to public health, and worker health and safety due to exposure to high-voltage electricity, high-pressure steam, moving and rotating machinery, heavy equipment, driving and environmental hazards.

Strategies employed for managing health and safety risk:

In response to COVID-19, the Company has enacted its Business Continuity Plan. In line with the plan, Capital Power is connected with, and is following all guidelines from, all relevant authorities governing the areas in which we operate. All essential plant staff are practicing health and safety measures designed to limit the potential for spreading illness. All other employees are working from home and all employees have been asked to practice social distancing. The Company has developed workforce re-integration plans, which are monitored and revised as the COVID-19 pandemic continues.

- Maintain an organization-wide health and safety culture and system with regular measurements and compliance audits.
- Maintain facility-specific safety programs and work procedures.
- Ensure that contractors and other stakeholders align with Capital Power's health and safety policies and procedures.

Capital Power strives to right size the resources required to operate and grow in its markets and minimize the cost of those resources. Failure to do so could negatively impact culture, growth and earnings and place the Company at a competitive disadvantage.

Strategies employed for managing cost optimization and efficiency risk:

- Set performance targets and measure and report results compared with those targets. Measure performance against benchmarks.
- Develop and undertake efficiency initiatives and programs.
- Support internal resources by utilizing retention programs and assessing employee engagement with appropriate communication and follow-up.

Operation and maintenance of equipment

Failure of generation equipment, transmission lines, pipelines or other equipment could impede the Company's ability to maintain reliable operations of its facilities. It is possible that staffing levels at our facilities in the future could be limited by the availability of healthy staff and required external service providers due to the spread of COVID-19. The potential cross-border travel and transportation restrictions that could result from COVID-19 could also impact the timely availability of parts and equipment.

The inability of Capital Power's generation facilities to generate the expected amount of electricity to be sold under contract or to the applicable market could have a significant adverse impact on the Company's revenues. In addition, counterparties to PPAs have remedies available to them if Capital Power fails to operate facilities in accordance with contract requirements, including the recovery of damages and termination of contractual arrangements. To the extent that facility equipment requires significant capital and other operation and maintenance expenditures to maintain efficiency, requires longer-than-forecast downtimes for maintenance and repair, experiences outages due to equipment failure, or suffers disruptions of power generation for other reasons, Capital Power's cost of generating electricity will increase and its revenues may be negatively affected. As an adopter of new technology, Capital Power can be exposed to design flaws or other issues, the impacts of which may not be covered by warranties or insurance. The failure of Capital Power's facilities to operate at required capacity levels may result in the facilities having their contracted capacity reduced and, in certain cases, Capital Power having to make payments on account of reduced capacity to power purchasers.

The terms of the PPAs for owned facilities provide appropriate incentives to facility owners to keep the facilities well maintained and operational. They also provide force majeure protection for high-impact, low-probability events including major equipment failure.

Many of Capital Power's generation facilities operate under PPAs or other similar contracts that are subject to a number of risks. PPA contracts contain performance benchmarks that must be achieved and other obligations that must be complied with by Capital Power. Capital Power may incur charges in the event of unplanned outages or variations from the contract performance benchmarks. PPAs expire at various times and there can be no assurance that a subsequent PPA will be available or, if available, that it will be on terms, or at prices, that permit the operation of the facility on a profitable basis.

Capital Power depends on transmission facilities owned and operated by external parties to deliver the wholesale power from its power generation facilities to its customers. If transmission is disrupted or if the transmission capacity infrastructure is inadequate, there may be a material adverse effect on Capital Power's ability to sell and deliver wholesale power.

Strategies employed for managing operation and maintenance of equipment risk:

See Business Resiliency, page 84, for strategies employed in response to COVID-19 that also apply to managing operation and maintenance of equipment risk.

- Establish long-term service agreements with original equipment manufacturers on key assets, including access to replacement components to limit downtime in the event of a unit failure.
- Ensure constructive relationships with original equipment manufacturers.
- Maintain an inventory of strategic spare parts which can reduce downtime in the event of failure.
- Execute appropriate operating and maintenance standards, procedures and programs to ensure high reliability and availability of our facilities.
- Employ a root cause analysis program to ensure that problems are properly identified and addressed and that learnings are shared across the fleet.
- Ensure operations and sustainment projects are properly resourced with qualified and trained staff and contractors.
- Establish and maintain appropriate business interruption, property, and boiler and machinery insurance to reduce the impact of prolonged outages caused by insured events.
- Thorough due diligence on the adequacy of transmission capacity infrastructure for acquisitions.

Stakeholder activism

Effective community engagement is an important element in the development, construction and operation of Capital Power's facilities. Accordingly, progress in the Company's development, construction and operational activities could be impeded by stakeholder intervention. Changes in law and regulatory requirements may also adversely impact the market dynamics for Capital Power, the participation levels of counterparties that Capital Power relies on to support its portfolio optimization strategies and the costs associated with participating in these markets.

Strategies employed for managing stakeholder activism risk:

- Internal standards that provide a framework for accountability and best practices for Capital Power's stakeholder engagement processes.
- Debriefs after completing significant engagement processes to leverage lessons learned for future projects.
- Participate in all relevant stakeholder consultation processes.
- Build and maintain strong relationships in the communities we operate through community engagement and investment.
- Identify and assess potential stakeholder concerns when screening growth opportunities.

Finance

Capital Power's ability to fund current and future capital requirements, along with its working capital needs, is dependent upon access to financial markets. Uncertainty and volatility in the Canadian and U.S. financial markets may adversely affect Capital Power's ability to access and arrange financing under favourable terms and conditions. The cost of, and our ability to access, capital will also depend upon prevailing market conditions and the Company's business and ESG performance as indicated by the assigned corporate credit and ESG ratings, respectively (see Liquidity and Capital Resources, page 72). The potential for ongoing volatility in financial markets driven by the pandemic and changing political climates in Canada and the U.S. could create additional uncertainty when accessing capital. If Capital Power is unable to access sufficient capital on acceptable terms, there could be an adverse effect on its business plan and financial condition. Additionally, Capital Power is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies, including the Company's financial exposure management policy. Additional strategies employed to manage finance risk are outlined below.

Strategies employed for managing credit rating risk:

- Maintain strong relationships with credit rating agencies.
- Expand and enhance the level of disclosure of Capital Power's sustainability initiatives and targets.
- Develop flexible financial structuring to adapt if circumstances would cause a credit rating downgrade from investment grade.
- Manage overall debt levels within credit metric covenants.

When Capital Power uses financial instruments to sell power forward, it may be required to post significant amounts of cash collateral or other credit support to its counterparties.

Strategies employed for managing liquidity and interest rate risk:

- Monitor cash and currency requirements on a regular basis by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements.
- Laddered debt maturities to avoid large debt repayments in a single year.
- Maintain strong relationships with banks, investment banks and other financial counterparties.
- Meet financing requirements through a combination of committed and demand revolving credit facilities, financings in public and private capital debt markets, and equity offerings.
- Balance the use of fixed rate and floating rate financing options.
- Utilize derivative and swap instruments to manage interest rate risk.

Counterparty risk is the possible financial loss associated with the potential inability of counterparties to satisfy their contractual obligations to Capital Power, including payment and performance. As a result of the economic impacts of both COVID-19 and the reduction in the price of oil, the risk that certain of the Company's counterparties will be unable to satisfy their contractual obligations has increased. Increased exposures include trade and other receivables on certain commercial and industrial customers as well as derivative financial instruments assets related to emissions portfolio trading.

Capital Power is party to a contract whereby it sells RECs to Pacific Gas and Electric Company (PG&E), which filed for bankruptcy in 2019. PG&E emerged from Chapter 11 on July 1, 2020 and continues to fulfill their obligations to the Company under the contract. If at some point PG&E is no longer able to fulfill their obligations under the contract, the Company would have to pursue replacement contracts, which may not be replaceable on similar terms to the existing contract. In the event of default by a purchasing counterparty, existing PPAs and other agreements may not be replaceable on similar terms.

Capital Power is also dependent upon its cogeneration hosts and suppliers of fuel to its plants. If a wholesale electricity market counterparty defaults, Capital Power may not be able to replace such counterparty to effectively manage short or long energy positions, resulting in reduced revenues or increased power costs. Furthermore, a prolonged deterioration in economic conditions could increase the foregoing risks.

Strategies employed for managing counterparty credit risk:

- Maintain a credit policy, including limits for credit risk exposure levels.
- Enter arrangements largely with creditworthy counterparties.
- Monitor existing counterparties' credit ratings for changes on an ongoing basis and conduct periodic credit reviews.
- Use credit enhancements such as cash deposits, prepayments, parent company guarantees, bank letters of credit, master netting agreements, margin accounts and credit derivatives.
- Monitor and report credit risk exposures.

Tax

Capital Power's operations are complex and the determination of income taxes involves income tax interpretations, regulations and legislation that are continually changing. It is not possible to predict, with complete accuracy, changes in the legislative environment or their impact on the Company's income tax status. Future changes in tax legislation may have an adverse impact on Capital Power, its shareholders and the value of the Company's common shares.

Capital Power's tax filings are subject to audit by taxation authorities. While Capital Power maintains that its tax filings have been made in accordance with all such tax interpretations, regulations and legislation, Capital Power cannot guarantee that it will not have disagreements with taxation authorities with respect to its tax filings.

The statutory income tax rates on income before tax were 24% and 26.5% for 2020 and 2019, respectively. The effective income tax rate can change depending on the mix of earnings from various jurisdictions, and on deductions and inclusions in determining taxable income that do not fluctuate with earnings.

Strategies employed for managing tax risk:

- Develop and maintain tax expertise and resources necessary to interpret tax legislation.
- Consult with all levels of government with respect to tax policy development and proposed legislation.
- Develop and maintain tax expertise and resources necessary, including third-party advisors, to understand tax legislation.
- Comply with tax laws of jurisdictions that Capital Power operates in.

Foreign exchange

Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar affect Capital Power's capital and operating costs, revenues and cash flows and could have an adverse impact on Capital Power's financial performance. The U.S. facility operations and the foreign-sourced equipment required for capital projects are transacted in U.S. dollars. In addition, certain indebtedness is denominated in U.S. dollars.

Strategies employed for managing foreign exchange risk:

For the Company's facilities that have a U.S. functional currency, foreign exchange movements are largely matched within its U.S. operations and hence foreign exchange exposure is mitigated. The Company enters economic hedges on capital costs denominated in U.S. dollars to mitigate exposure.

- Utilize foreign currency forward contracts.
- Utilize cross-currency interest rate swap contracts.
- Contract significant purchases or borrowings in Canadian dollars.
- Utilize U.S. dollar denominated borrowings and/or tax equity debt financing to finance U.S. developments.

Reputation

Investors and other stakeholders are increasingly focused on our exposure to the impacts of climate change. This creates public perception or cost of capital risks related to Capital Power's portfolio, which includes thermal assets. The Company also considers reputation risk to be a consequence of all other risks that it faces. If a certain risk factor results in positive or negative consequences to the Company, its reputation may also be positively or negatively affected.

Strategies employed for managing reputation risk:

In part, the Company manages its reputation risk by employing appropriate risk management strategies for all identified risks. Additional strategies include:

- Fostering a highly ethical culture.
- Compliance with all regulations.
- ESG performance linked to our Executive Team's compensation.
- Integration of ESG criteria in investment decisions to ensure appropriate consideration of ESG risks.
- Commitment to transparent reporting and disclosure to assist in addressing concerns and risks with investors and other stakeholders.
- Ongoing monitoring of the Company's social media presence for content and tone to promptly identify and address any reputational concerns.

General economic conditions, business environment and other risks

In addition to all the risks previously described, the Company is subject to adverse changes in its markets and general economic conditions as well as business model disruption. The Company is exposed to risks associated with weather, legal and arbitration proceedings, and risks that are not fully covered by various insurance policies.

The Company is dependent upon cash dividends, distributions or other transfers from its subsidiaries, including CPLP, in order to repay any debt the Company may incur, to make dividend payments to its shareholders and to meet its other obligations. The right of the Company, as a unitholder or shareholder of these entities, to realize on the assets of these entities in the event of their bankruptcy or insolvency, would be subordinate to the rights of their creditors and claimants preferred by statute. The terms of the credit facilities of the Company's subsidiaries prohibit them from making distributions if an event of default has occurred and is continuing or would reasonably be expected to result from the distribution. As of December 31, 2020, the Company loaned $2,803 million to the respective subsidiaries under subordinated debt agreements. The terms of these agreements allow interest to be deferred. If interest is deferred, then CPLP has covenanted not to make distributions on any of its outstanding common limited partnership units.

The Company relies on operational and financial partnerships to grow its fleet. Failure to negotiate favourable terms with financial partners, particularly tax equity partners, could have an impact on the Company's ability to successfully execute its growth strategy. Some of Capital Power's assets are operated through joint arrangements under which Capital Power is not the operator of the associated assets. There is a risk that the assets will not be operated in accordance with Capital Power's expectations or requirements, which could result in financial loss to the Company. While contractual agreements help minimize risk, there can be no assurance that such operations will continue to be effective.

In the normal course of Capital Power's operations, the Company may become involved in various legal proceedings, including arbitration of the interpretation of any contract. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty. However, the Company does not believe that the outcome of any claims or potential claims of which it is aware, which have not already been provided for, will have a material adverse effect on Capital Power's financial condition and results of operations (see Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 76).

Capital Power's property, boiler and machinery, business interruption and liability insurance coverages are established and maintained to minimize financial exposures associated with extreme weather and other events. The insurance coverages are subject to deductibles, limits and exclusions, and may not provide sufficient coverage for these and other insurable risks. There can be no assurance that such insurance will continue to be offered on an economically feasible basis or that all events that could give rise to a loss or liability are insurable.

The various risks noted within this Risks and Risk Management section may be compounded by the level of exposure to a given geographic area, regulatory environment or technology. The Company continues to mitigate these risks through its development and acquisition activities. These activities have allowed the Company to reduce its proportionate exposure to Alberta, while expanding its footprint in Ontario and the United States. These activities have also resulted in an increase to the Company's proportionate investment in renewables and natural gas assets compared to coal assets as well as an increase in contracted cash flows. Diversifying the Company's portfolio can result in the Company entering new markets, which can bring new uncertainties that the Company mitigates as described above under strategies employed for managing competition, acquisition, development and construction risk.

There can be no assurance that any risk management steps taken by Capital Power with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Environmental Matters

The Company recorded decommissioning provisions of $414 million as at December 31, 2020 ($356 million as at December 31, 2019) for its generation facilities and the Genesee Mine as it is obliged to remove the facilities at the end of their useful lives and restore the facility and mine sites to their original condition. Decommissioning provisions for the Genesee Mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation. The timing of reclamation activities could vary and the amount of decommissioning provisions could change depending on potential future changes in environmental regulations and the timing of any facility fuel conversions.

The Company has forward contracts to purchase environmental credits totalling $416 million and forward contracts to sell environmental credits totalling $444 million in future years. Included within these forward purchases and sales are net purchase amounts which will be used by the Company to comply with applicable environmental regulations and net sales amounts related to other emissions trading activities.

Regulatory Matters

Canada

On December 11, 2020, the Government of Canada released its updated climate plan (the Federal Plan). The Federal Plan sets out a range of measures and proposed policies across multiple sectors that are intended to enable Canada to meet and exceed its current 2030 greenhouse gas reduction commitments under the Paris Agreement, and also set Canada on a path to achieving net-zero carbon emissions by 2050. Among other things, the Federal Plan proposes to increase the carbon price by $15 per tonne per year after 2022 until achieving a price of $170 per tonne in 2030; review standards used to assess equivalence of provincial carbon frameworks; make investments to advance smart renewable energy and grid modernization projects to enable the clean grid of the future; work with provinces, territories and the Canada Infrastructure Bank to help build key intertie projects; and make funding available and develop strategies to support further deployment of various decarbonization technologies, including CCUS and hydrogen. The Company has initiated an assessment of the potential impacts the proposed elements of the Federal Plan may have for Capital Power's existing facilities and prospective interests in its Canadian markets, and intends to participate in forthcoming processes, which have yet to be scheduled, to discuss the key elements proposed as part of the Federal Plan.

Alberta

In October 2019, the Government of Alberta (GOA) replaced the Carbon Competitiveness Incentive Regulation (CCIR) with the TIER Regulation effective January 1, 2020. The TIER Regulation and its impact on the electricity sector is very comparable to the CCIR. In December 2019, Environment and Climate Change Canada announced that the TIER Regulation met the federal government's stringency benchmark criteria for carbon-pollution pricing systems for 2020 for the emission sources they cover (large emitters). As such, Alberta's large emitters are not subject to the Federal Carbon Pricing Backstop. However, in response to the absence of an economy-wide carbon levy for all emitters, federal *Greenhouse Gas Pollution Pricing Act* (GGPPA) Regulations were amended to implement charges on fossil fuels in Alberta beginning January 1, 2020. This effectively ensured sources not covered under the TIER Regulation (smaller emitters) were addressed. On November 5, 2020, the Government of Alberta increased the carbon price under the TIER Regulation for the 2021 calendar year to $40 per tonne carbon dioxide equivalent.

The governments of Alberta, Saskatchewan, Manitoba and Ontario have put forward constitutional challenges of the GGPPA. On February 24, 2020, Alberta's Court of Appeal released its decision that the GGPPA is unconstitutional, which was a different decision than Saskatchewan's and Ontario's Appellate Courts. The Supreme Court of Canada heard the appeals on September 22 and 23, 2020. The timing for its ruling on the matter is unknown.

At midnight on December 31, 2020, the Power Purchase Arrangement (PPA) Regulation in Alberta expired and on January 1, 2021, all remaining PPAs held by the Balancing Pool have reverted back to their respective generation facility owners. Dispatch and offer control of Genesee generation stations 1 and 2, previously under PPA with the Balancing Pool as the Buyer, now reside with the Company.

Ontario

Ontario's Independent Electric System Operator (IESO) announced in July 2019 that it was cancelling further work on a broad capacity market framework. At that time, the IESO expected only a limited need for new capacity over the next 10-year period particularly if resources are re-acquired when their existing contracts expire. Work on a capacity auction of more limited scope continued for the remainder of 2019 but in April 2020, the IESO suspended this process due to COVID-19-related impacts on electricity demand in the province. In September 2020, the IESO initiated a Resource Adequacy Engagement (RA Engagement) that will consider a combination of bilateral contract extensions and competitive processes for medium- to long-term needs. These procurement mechanisms are expected by the IESO to be implemented alongside the expansion of the province's existing demand response auction, which will serve as the IESO-administered auction for the procurement of capacity over the short term. The Company understands that the potential framework for re-contracting of assets, including those assets owned by the Company, will be considered as part of the RA Engagement process. Subsequent IESO engagements are expected in 2021 to discuss details needed to operationalize and implement these mechanisms.

On November 6, 2019, the Ontario government issued a directive requiring the IESO to retain a third party and undertake a targeted review of existing large gas and wind generation contracts to identify opportunities to lower overall electricity costs. An IESO report on key findings and recommendations resulting from the review was provided to the Ontario government in late February 2020. As part of this process, the IESO sought the perspectives of contract counterparties, including Capital Power, on potential cost-savings opportunities. The IESO released the third-party report in August 2020. A number of restructuring options were considered, none of which identified opportunities for unilateral contract termination or amendment of terms.

The IESO has published several first drafts of proposed detailed energy market design changes for stakeholder consultation over the course of 2020. These proposed changes are expected to evolve through the IESO's engagement process as it works toward finalizing the design details and codifies the changes in the form of market rules and manuals in 2021. Consequently, amendments to existing generation contracts are likely, though the impact to these contracts, including those of the Company, are unknown until the detailed market changes are finalized and the contract amendment process is complete.

On September 21, 2020, the Ontario Minister of the Environment, Conservation and Parks (MECP) announced that the federal government has accepted Ontario's Emissions Performance Standards (EPS) as an alternative to the federal carbon pricing regime. On December 16, 2020, the MECP started consultation with stakeholders, including Capital Power, about the transition of Ontario industrial facilities from the Federal Output-Based Pricing System (OPBS) to the provincial EPS. MECP is working with the federal government to transition industry to the EPS. Timing of the transition has not yet been established and is currently unknown. Until the transition is completed, York Energy, East Windsor and Goreway remain subject to the federal GGPPA and the federal carbon price of $30 per tonne in 2020 and $40 per tonne in 2021. The contracts for these facilities have provisions that trigger amendments, the effect of which will enable recovery of at least some of the imposed federal carbon compliance costs. Though there is limited risk the Company may incur some of the compliance costs with this program, the Company does not believe the implementation in Ontario of a federal carbon pricing system or any potential provincial greenhouse gas system will have a material adverse effect on its financial condition and results of operations.

The Ontario Ministry of Energy, Northern Development and Mines (MENDM) announced on January 5, 2021 that the regulation requiring the release of the Long-term Energy Plan (LTEP) every three years has been revoked effective January 1, 2021. According to the MENDM notice, removal of this requirement is part of its plan to reform the province's long-term energy planning process. Development of a new framework intended to eliminate political interference, increase transparency and augment accountability in the planning process is being consulted on in the first quarter of 2021. No significant impact to the Company and its assets is expected, though the resulting framework should improve stakeholders' ability to understand the province's future electricity needs going forward.

Use of Judgments and Estimates

In preparing the audited consolidated financial statements, management made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Critical judgments in applying accounting policies

The main judgments that were used in preparing the Company's audited consolidated financial statements relate to:

Judgment	Management applies judgment to evaluate	Resulting conclusions
Cash generating units	What constitutes a CGU based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.	CGUs were determined giving consideration to geographic proximity and shared risk exposure and risk management.
Asset impairment	Whether events or circumstances may indicate that an asset's carrying amount exceeds its recoverable amount.	During the first half of 2020, the COVID-19 pandemic created unprecedented uncertainty and volatility in the global market and led to worldwide lockdown measures, including in Alberta. Additionally, global oil prices experienced a sharp decline. The combination of these factors led to lower demand in Alberta. Meanwhile, the federal *Greenhouse Gas Pollution Pricing Act* (the Act) began to apply in Alberta on January 1, 2020, with the fuel charge rates reflecting a carbon pollution price of $30 per tonne of carbon dioxide equivalent in 2020, rising by $10 per tonne annually to $50 per tonne by 2022. Accordingly, fuel costs for the Company's thermal assets in Alberta are expected to increase. During the second quarter of 2020, the Company updated its long-range forecasting and given the prolonged nature of COVID-19 and oil pricing impacts, deemed the combined impact of the noted factors as a triggering event to assess the Alberta CGU for potential asset impairment. Impairment testing on the Alberta CGU was completed in the second quarter of 2020 with no impairment required. The Company determined that no other CGUs were affected by the triggering event, since they operate in geographic regions that are not directly impacted by the events noted above, other than COVID-19, and the majority of the revenue outside of Alberta is contracted, which limits the impact of COVID-19 on those CGUs. In the fourth quarter of 2020, the Government of Canada, as a part of the Federal Plan (see Regulatory Matters, page 93), proposed increased carbon prices under the TIER Regulation, including an increase to $40 per tonne carbon dioxide equivalent for 2021. Based on historical power price trends, the Company expects the increases in carbon prices to be reflected in increased power prices. Additionally, the Company has updated its plans to be off coal in 2023. As a result of these factors, the increase in carbon price was not considered a triggering event to assess the Alberta CGU for potential asset impairment. Annual impairment testing was also performed on the East Windsor CGU, which contains goodwill, with no impairment required.

Judgment	Management applies judgment to evaluate	Resulting conclusions
Whether an arrangement contains a lease	Whether a PPA or similar contract conveys the right to control the Company's property, plant and equipment in return for payment, and, if so, a lease exists.	Contracts that convey the right to control Capital Power's property, plant and equipment and, therefore, are considered operating leases with the Company as the lessor: • Genesee 1 and 2 PPA (through 2020) • Island Generation PPA • Decatur Energy tolling agreement • Arlington Valley tolling agreement The Company has been determined to be the lessee for the following: • Beaufort Solar sale and leaseback agreement • Various office, equipment and land leases
Control of subsidiaries that are less than wholly owned	Whether certain subsidiaries are controlled by the Company even though the subsidiaries are less than wholly owned.	Since the Company has majority rights, the Genesee Mine and Macho Springs Wind facility are consolidated and have non-controlling interests.
Classification of joint arrangements	How joint arrangements structured through a separate vehicle should be classified; either as a joint venture or a joint operation.	York Energy is accounted for as a joint venture because each of the partners effectively has rights to the net assets of the arrangement. Joffre and Shepard are accounted for as joint operations because each of the joint operators has rights to the assets and obligations for the liabilities of the arrangements, and rights to the corresponding revenues and obligations for the corresponding expenses.
Operating segments	Whether the Company operates in one or multiple business segments, and if the Company operates in multiple segments, how the aggregation criteria are applied to reportable segments.	The Company has aggregated its operating segments into one reportable business segment as its operating segments have similar products, production processes, types of customers, product distribution methods, regulatory environments and economic characteristics. Each operating segment is involved with the generation and sale of electricity, which includes the process of turning various fuel sources into electricity and managing the revenues and costs of such electricity, including engaging in trading activities. The Company's customers tend to be large industrial and commercial customers, independent system operators and government-owned or sponsored entities. Given the similar size and credit profiles of these counterparties, they are deemed to be similar types of customers. The method of distributing electricity is the same across all facilities, and none of the Company's entities are rate-regulated.

Assumptions and estimation uncertainties

The following identifies key information about assumptions and estimation uncertainties that could have a significant risk of resulting in material adjustments:

Estimate	Impacts and assumptions subject to estimation uncertainty
Measurement of fair values	Carrying amounts for financial instruments • Amounts and timing of future cash flows • Future prices • Future generation forecasts • Future interest rate yield curves • Volatility Impairment of financial and non-financial assets and liabilities • Discount rates • Growth rates • Other cash flow assumptions, including revenues, expenses and capital expenditures • Future generating capacity • Contract renewals and rates adjusted for inflation • Fuel mix at optimized levels Decommissioning and other provisions • Discount rates • Amount and timing of asset retirement • Extent of site remediation required • Future cash flows based on amount and timing of settlement of obligation • Expected customer renewals for other provisions Purchase price allocations for financial and non-financial assets and liabilities • Same fair value measurement factors and assumptions as applicable to determine carrying amounts for derivative financial instruments, impairment of financial and non-financial assets and liabilities, and decommissioning and other provisions.
Depreciation and amortization	Assets useful lives are based on the life characteristics of common assets. As a result of the Company's announcement in December 2020 to proceed with its plans to repower Genesee 1 and 2 (see Significant Events, page 57) and being off coal in 2023, Capital Power prospectively adjusted the useful lives of its current coal assets to reflect these shortened expected end-of-life dates for asset components only used for coal-fired generation. As a result of the change in plans, the Company also extended the lives of certain asset components that can be used in the gas conversion and repowering.
Recognition of deferred tax assets and availability of future taxable income against which carry forward tax losses can be used	Deferred tax assets and income tax provisions are based on the likelihood that tax losses will be recovered from future taxable income.

Financial Instruments

The classification, carrying amounts and fair values of financial instruments held at December 31, 2020 and 2019 were as follows:

(unaudited, $ millions)	Fair value hierarchy level[1]	December 31, 2020 Carrying amount	December 31, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Financial assets:					
Amortized cost					
Cash and cash equivalents	N/A	**367**	**367**	248	248
Trade and other receivables[2]	N/A	**445**	**445**	281	281
Government grant receivable[3]	Level 2	**441**	**448**	476	435
Fair value through income or loss					
Derivative financial instruments assets – current and non-current	See Below	**238**	**238**	183	183
Fair value through other comprehensive loss					
Derivative financial instruments assets – current and non-current	See Below	**10**	**10**	3	3
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	**470**	**470**	301	301
Loans and borrowings[3]	Level 2	**3,552**	**3,838**	3,413	3,505
Fair value through income or loss					
Derivative financial instruments liabilities – current and non-current	See Below	**160**	**160**	143	143
Fair value through other comprehensive loss					
Derivative financial instruments liabilities – current and non-current	See Below	**143**	**143**	107	107

[1] *Fair values for Level 1 financial assets and liabilities are based on unadjusted quoted prices in active markets for identical instruments while fair values for Level 2 financial assets and liabilities are generally based on indirectly observable prices. The determination of fair values for Level 3 financial assets and liabilities is prepared by appropriate subject matter experts and reviewed by the Company's commodity risk group and by management.*

[2] *Excludes current portion of government grant receivable.*

[3] *Includes current portion.*

Risk management and hedging activities

The Company is exposed to changes in energy commodity prices, foreign currency exchange rates and interest rates. The Company uses various risk management techniques, including derivative instruments such as forward contracts, fixed-for-floating swaps and option contracts, to reduce this exposure. These derivative instruments are recorded at fair value on the Consolidated Statements of Financial Position except for non-financial derivatives that are entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements.

Unrealized changes in the fair value of financial and non-financial derivatives that do not qualify for hedge accounting and non-financial derivatives that do not qualify for the expected purchase, sale or usage requirements of the Company are recognized in net income as revenues, energy purchases and fuel, foreign exchange gain or loss, or net finance expense. The corresponding unrealized changes in the fair value of the associated economically hedged exposures are not recognized in income. Accordingly, derivative instruments that are recorded at fair value can produce volatility in net income as a result of fluctuating forward commodity prices, foreign exchange rates and interest rates that are not offset by the unrealized fair value changes of the exposure being hedged on an economic basis. As a result, accounting gains or losses relating to changes in fair values of derivative instruments do not necessarily represent the underlying economics of the hedging transaction.

For example, the Company usually has more physical supply of power in Alberta from its generating units than the Company has contracted to physically sell. The Company utilizes financial sales contracts to reduce its exposure to changes in the price of power in Alberta. Economically, the Company benefits from higher Alberta power prices due to the net long position held since the Company's expected physical supply is in excess of the Company's physical and financial sales contracts. However, financial sales contracts that are not hedged for accounting purposes are recorded at fair value at each statement of financial position date and the offsetting anticipated future physical supply or economically hedged item is not. Accordingly, an increase in forward Alberta power prices can result in fair value losses for accounting purposes whereas on an economic basis, these losses are offset by unrecognized gains on the physical supply. The economic gains will be recognized in later periods when the power is produced and sold. The opposite is true for forward price decreases in Alberta power.

The derivative financial instruments assets and liabilities held at December 31, 2020 and 2019 and used for risk management purposes were measured at fair value and consisted of the following:

		As at December 31, 2020					
(unaudited, $ millions)	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Interest rate non-hedges	Foreign exchange cash flow hedges	Total
Derivative financial instruments assets	Level 2	2	172	8	–	–	182
	Level 3	–	66	–	–	–	66
		2	238	8	–	–	248
Derivative financial instruments liabilities	Level 2	(31)	(128)	(97)	(1)	(15)	(272)
	Level 3	–	(31)	–	–	–	(31)
		(31)	(159)	(97)	(1)	(15)	(303)
Net derivative financial instruments (liabilities) assets		**(29)**	**79**	**(89)**	**(1)**	**(15)**	**(55)**

		As at December 31, 2019				
(unaudited, $ millions)	Fair value hierarchy level	Commodity cash flow hedges	Commodity non-hedges	Interest rate cash flow hedges	Interest rate non-hedges	Total
Derivative financial instruments assets	Level 2	3	131	–	2	136
	Level 3	–	50	–	–	50
		3	181	–	2	186
Derivative financial instruments liabilities	Level 2	(24)	(134)	(83)	–	(241)
	Level 3	–	(9)	–	–	(9)
		(24)	(143)	(83)	–	(250)
Net derivative financial instruments (liabilities) assets		**(21)**	**38**	**(83)**	**2**	**(64)**

Commodity, interest rate and foreign exchange derivatives designated as accounting hedges

Unrealized gains and losses for fair value changes on commodity, interest rate and foreign exchange derivatives that qualify for hedge accounting are recorded in other comprehensive income (loss) and, when realized, are reclassified to net income as revenues, energy purchases and fuel, finance expense or foreign exchange gains and losses as appropriate. When interest rate derivatives are used to hedge the interest rate on a future debt issuance, realized gains or losses are deferred within accumulated other comprehensive income (loss) and recognized within finance expense over the life of the debt, consistent with the interest expense on the hedged debt. When foreign exchange derivatives are used to hedge the risk of variability in cash flows resulting from foreign currency exchange rate fluctuations on future capital expenditures, realized gains and losses are deferred within accumulated other comprehensive income (loss) and then recorded in property, plant and equipment and amortized through depreciation and amortization over the estimated useful life of the hedged property, plant and equipment.

Commodity, interest rate and foreign exchange derivatives not designated as accounting hedges

The change in fair values of commodity derivatives not designated as hedges is primarily due to changes in forward Alberta power and natural gas prices and their impact on the Alberta portfolio as well as the change in pricing on U.S. trading relating to the swap arrangements on the Company's U.S. wind generation. Unrealized and realized gains and losses for fair value changes on commodity derivatives that do not qualify for hedge accounting are recorded in net income as revenues or energy purchases and fuel.

Unrealized and realized gains and losses on foreign exchange derivatives and interest rate derivatives that are not designated as hedges for accounting purposes are recorded in net income as foreign exchange gains or losses and net finance expense, respectively.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

As at December 31, 2020, management conducted an evaluation of the design and operation of the Company's disclosure controls and procedures to provide reasonable assurance that:

(i) material information relating to the Company is made known to management by others, particularly during the period in which the Company's annual filings are being prepared, and

(ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The evaluation took into consideration the Company's *Disclosure Policy* and internal sub-certification process, and the functioning of its Disclosure Committee. In addition, the evaluation covered the Company's processes, systems and capabilities relating to public disclosures and the identification and communication of material information. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are appropriately designed and effective.

As at December 31, 2020, management conducted an evaluation of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting are appropriately designed and effective.

These evaluations were conducted in accordance with the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission and the requirements of the Canadian Securities Administrators' National Instrument 52-109.

Summary of Quarterly Results

	Three months ended							
Electricity generation (GWh)	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Total generation	**6,445**	**6,327**	**5,472**	**5,562**	6,437	6,808	5,500	5,782
Alberta commercial facilities								
Genesee 3	**928**	**1,014**	**926**	**913**	1,015	492	502	500
Keephills 3	**N/A**	**N/A**	**N/A**	**N/A**	N/A	450	433	470
Clover Bar Energy Centre 1, 2 and 3	**112**	**98**	**79**	**196**	135	348	264	296
Joffre	**209**	**171**	**132**	**186**	187	150	205	232
Shepard	**839**	**784**	**770**	**867**	660	782	679	807
Halkirk Wind	**150**	**117**	**121**	**148**	129	86	107	120
Clover Bar Landfill Gas	**–**	**1**	**1**	**1**	–	–	–	–
	2,238	**2,185**	**2,029**	**2,311**	2,126	2,308	2,190	2,425
Alberta contracted facilities								
Genesee 1	**807**	**739**	**689**	**792**	848	803	556	837
Genesee 2	**791**	**696**	**618**	**773**	826	795	698	848
Whitla Wind 1	**258**	**170**	**192**	**238**	77	N/A	N/A	N/A
	1,856	**1,605**	**1,499**	**1,803**	1,751	1,598	1,254	1,685
Ontario and British Columbia contracted facilities								
Island Generation	**4**	**47**	**–**	**7**	8	379	166	168
York Energy	**3**	**4**	**3**	**4**	5	3	4	4
East Windsor	**1**	**2**	**2**	**1**	4	2	3	2
Goreway	**279**	**329**	**217**	**143**	157	304	76	N/A
Kingsbridge 1	**36**	**15**	**21**	**32**	34	15	20	36
Port Dover and Nanticoke Wind	**95**	**53**	**70**	**90**	84	46	65	99
Quality Wind	**128**	**108**	**99**	**122**	130	73	77	74
EnPower	**8**	**2**	**3**	**10**	10	3	5	5
	554	**560**	**415**	**409**	432	825	416	388
U.S. contracted facilities								
Roxboro, North Carolina	**81**	**84**	**84**	**81**	86	88	88	62
Southport, North Carolina	**95**	**100**	**114**	**105**	127	112	121	99
Decatur Energy, Alabama	**369**	**665**	**327**	**124**	656	709	372	408
Arlington Valley, Arizona	**644**	**693**	**404**	**377**	912	878	750	394
Beaufort Solar, North Carolina	**6**	**8**	**8**	**6**	6	8	9	6
Bloom Wind, Kansas	**179**	**154**	**212**	**183**	197	176	169	175
Macho Springs Wind, New Mexico	**30**	**21**	**43**	**35**	29	21	43	39
New Frontier Wind, North Dakota	**120**	**95**	**102**	**110**	115	85	88	101
Cardinal Point Wind, Illinois	**170**	**86**	**138**	**18**	N/A	N/A	N/A	N/A
Buckthorn Wind, Texas	**103**	**71**	**97**	**N/A**	N/A	N/A	N/A	N/A
	1,797	**1,977**	**1,529**	**1,039**	2,128	2,077	1,640	1,284

	Three months ended							
Facility availability (%)	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Total average facility availability	97	98	92	91	94	96	92	96
Alberta commercial facilities								
Genesee 3	93	100	95	92	100	96	100	100
Keephills 3	N/A	N/A	N/A	N/A	N/A	93	92	99
Clover Bar Energy Centre 1, 2 and 3	91	98	90	97	86	96	91	97
Joffre	99	99	100	93	89	82	100	100
Shepard	100	100	99	100	79	100	86	97
Halkirk Wind	97	96	99	98	99	95	98	98
Clover Bar Landfill Gas	–	37	48	53	–	–	–	–
	96	99	96	96	90	95	93	98
Alberta contracted facilities								
Genesee 1	96	100	100	96	100	96	72	100
Genesee 2	98	100	97	97	100	100	95	100
Whitla Wind 1	99	98	97	97	97	N/A	N/A	N/A
	97	99	98	97	100	98	83	100
Ontario and British Columbia contracted facilities								
Island Generation	100	100	100	100	92	99	100	100
York Energy	100	98	100	100	94	99	100	100
East Windsor	94	99	96	99	97	99	99	99
Goreway	95	93	96	88	88	87	99	N/A
Kingsbridge 1	100	98	98	99	99	98	97	98
Port Dover and Nanticoke Wind	98	93	99	99	97	94	100	99
Quality Wind	97	98	98	96	98	96	98	96
EnPower	98	100	74	86	91	72	97	55
	97	96	97	93	91	92	99	98
U.S. contracted facilities								
Roxboro, North Carolina	100	99	99	90	88	99	100	88
Southport, North Carolina	99	98	100	85	96	84	90	91
Decatur Energy, Alabama	100	100	73	87	93	100	81	98
Arlington Valley, Arizona	96	99	77	66	99	100	100	81
Beaufort Solar, North Carolina	98	99	100	100	98	100	100	100
Bloom Wind, Kansas	99	95	98	99	99	98	98	99
Macho Springs Wind, New Mexico	98	97	98	99	98	97	99	98
New Frontier Wind, North Dakota	93	97	98	98	94	97	95	96
Cardinal Point Wind, Illinois	97	92	95	89	N/A	N/A	N/A	N/A
Buckthorn Wind, Texas	96	94	95	N/A	N/A	N/A	N/A	N/A
	98	98	82	83	96	99	91	92

Financial results

	Three months ended							
(unaudited, $ millions)	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Revenues and other income								
Alberta commercial facilities and portfolio optimization	**177**	**208**	**180**	**207**	214	181	150	180
Alberta contracted facilities	**79**	**73**	**70**	**79**	73	68	46	74
Ontario and British Columbia contracted facilities	**111**	**92**	**88**	**100**	102	88	56	47
U.S. contracted facilities	**112**	**133**	**117**	**101**	103	149	102	95
Corporate[1]	**19**	**13**	**12**	**11**	141	15	17	15
Unrealized changes in fair value of commodity derivatives and emission credits	**18**	**(66)**	**(32)**	**35**	50	16	(5)	(14)
	516	**453**	**435**	**533**	683	517	366	397
Adjusted EBITDA								
Alberta commercial facilities and portfolio optimization	**53**	**80**	**60**	**81**	80	72	71	84
Alberta contracted facilities	**55**	**56**	**53**	**59**	57	49	32	53
Ontario and British Columbia contracted facilities[2]	**83**	**69**	**70**	**80**	77	63	48	44
U.S. contracted facilities	**47**	**96**	**56**	**31**	40	115	54	38
Corporate	**(18)**	**(17)**	**(22)**	**(17)**	98	(15)	(14)	(17)
	220	**284**	**217**	**234**	352	284	191	202

[1] *Revenues are offset by interplant category revenue eliminations.*

[2] *The reported Ontario and British Columbia contracted facilities' adjusted EBITDA includes the adjusted EBITDA from the York Energy joint venture.*

Quarterly revenues, net income and cash flows from operating activities are affected by seasonal weather conditions, fluctuations in U.S. dollar exchange rates relative to the Canadian dollar, power and natural gas prices, planned and unplanned facility outages, and items outside the normal course of operations. Net income (loss) is also affected by changes in the fair value of the Company's power, natural gas, interest rate and foreign exchange derivative contracts.

Financial highlights

	Three months ended							
(unaudited, $ millions except per share amounts)	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Revenues and other income	**516**	**453**	**435**	**533**	683	517	366	397
Adjusted EBITDA[1,2]	**220**	**284**	**217**	**234**	352	284	191	202
Net income (loss)	**1**	**106**	**23**	**–**	181	(228)	106	60
Net income (loss) attributable to shareholders of the Company	**3**	**108**	**23**	**2**	182	(226)	108	61
Basic (loss) earnings per share ($)	**(0.09)**	**0.89**	**0.10**	**(0.11)**	1.61	(2.25)	0.93	0.49
Diluted (loss) earnings per share ($)[3]	**(0.09)**	**0.89**	**0.09**	**(0.11)**	1.60	(2.25)	0.92	0.49
Normalized earnings per share ($)[1]	**0.12**	**0.66**	**0.17**	**0.27**	0.29	0.60	0.14	0.29
Net cash flows from operating activities	**159**	**258**	**91**	**103**	201	209	114	196
Adjusted funds from operations[1]	**86**	**221**	**97**	**118**	128	225	85	117
Adjusted funds from operations per share ($)[1]	**0.81**	**2.10**	**0.92**	**1.12**	1.22	2.11	0.82	1.15
Purchase of property, plant and equipment and other assets	**70**	**50**	**87**	**99**	112	193	279	51

[1] *The consolidated financial highlights, except for adjusted EBITDA, normalized earnings per share, adjusted funds from operations and adjusted funds from operations per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures.*

[2] *The reported Ontario and British Columbia contracted facilities' adjusted EBITDA includes the adjusted EBITDA from the York Energy joint venture.*

[3] *Diluted (loss) earnings per share was calculated after giving effect to outstanding share purchase options.*

	Three months ended							
Spot price averages	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Alberta power ($ per MWh)	**46**	**44**	**30**	**67**	47	47	57	69
Alberta natural gas (AECO) ($ per Gj)	**2.52**	**2.17**	**1.90**	**1.99**	2.32	0.99	1.17	2.62
Capital Power's Alberta portfolio average realized power price ($ per MWh)	**56**	**59**	**53**	**62**	57	59	55	58

Factors impacting results for the fourth quarter of 2020

For the quarter ended December 31, 2020, the Company recorded net income attributable to shareholders of $3 million compared to net income attributable to shareholders of $182 million for the quarter ended December 31, 2019. Decreases in net income were notably driven by accelerated coal compensation revenue recognition and the gain recognized in 2019 as a result of the swap of interests in Genesee 3 and Keephills 3 during the fourth quarter of 2019. Also contributing to reduced net income was the impairment recorded in the fourth quarter of 2020 related to the cancellation of the Genesee 1 and 2 dual-fuel project. Unrealized losses on commodity derivatives and emission credits in the fourth quarter 2020 were $19 million compared with unrealized gains of $28 million in the comparable 2019 period, most notably related to the impact of decreasing forward natural gas prices on net forward purchase contracts during the fourth quarter of 2020. In addition, net income was reduced compared to the fourth quarter of 2019 driven by various operational variances, including lower Alberta commercial adjusted EBITDA due largely to higher emissions costs upon changes to the Company's emission compliance strategy in the fourth quarter of 2020 and lower margins earned on natural gas portfolio optimization activities. Arlington Valley also realized lower adjusted EBITDA driven by the revised tolling agreement in effect for 2020. Partially offsetting these operational variances was higher adjusted EBITDA from the acquisition of Buckthorn Wind in the second quarter of 2020, and commencement of operations of Whitla Wind 1 late in the fourth quarter of 2019 and Cardinal Point Wind late in the first quarter of 2020. Net finance expense also increased compared to 2019 as a result of these asset additions. Income tax expense was lower in 2020, driven by the tax effect of the noted variances, primarily the accelerated recognition of deferred government grant revenue upon close of the Genesee 3 and Keephills 3 swap transaction.

Factors impacting results for the previous quarters

Significant events and items which affected results for the previous quarters were as follows:

For the quarter ended September 30, 2020, the Company recorded net income attributable to shareholders of $108 million compared to net loss attributable to shareholders of $226 million for the quarter ended September 30, 2019. The increase in net income in the third quarter of 2020 was largely due to the pre-tax impairment of $401 million on Keephills 3 recorded upon classification as an asset held for sale in 2019. Further increases in net income in the third quarter of 2020 were driven partly by higher margins earned on Alberta commercial power and natural gas portfolio optimization and higher unrealized gains on commodity derivatives and emission credits, most notably due to the impact of increasing forward prices on natural gas forward purchase contracts during the third quarter of 2020. Higher adjusted EBITDA also resulted from the acquisition of Buckthorn Wind in the second quarter of 2020, and commencement of operations of Whitla Wind 1 late in the fourth quarter of 2019 and Cardinal Point Wind late in the first quarter of 2020. These factors were partially offset by lower adjusted EBITDA at Arlington Valley due to the revised tolling agreement in 2020 and higher net finance expense related to the noted asset additions. In addition, income tax expense in the third quarter of 2020 of $44 million compared to income tax recovery of $66 million for the third quarter of 2019 was primarily due to the recognition of a deferred tax recovery on the impairment of Keephills 3 in 2019.

For the quarter ended June 30, 2020, the Company recorded net income attributable to shareholders of $23 million compared to net income attributable to shareholders of $108 million for the quarter ended June 30, 2019. Decreases in net income in the second quarter of 2020 were driven partly by unrealized losses on commodity derivatives and emission credits of $9 million in the second quarter of 2020 compared with unrealized gains of $48 million in the second quarter of 2019. This was most notably due to unrealized losses in the second quarter of 2020 due to the reversal of prior period unrealized gains for trades settled in the period as compared to unrealized gains in the comparative period of 2019. The prior period gains were largely the result of increasing Alberta power prices on Alberta power derivative forward purchase contracts and the impact of decreasing forward prices on forward sales contracts for the Company's U.S. wind facilities. Higher net finance expense in the second quarter of 2020 also contributed to lower net income and was due to financing related to the acquisitions of Buckthorn Wind (see Significant Events, page 57) and Goreway in the second quarters of 2020 and 2019, respectively, and tax equity financing related to Cardinal Point Wind (see Significant Events, page 57) that commenced commercial operations in the first quarter of 2020. In addition, the second quarter of 2020 had higher income tax expense mainly due to a decrease in the Alberta corporate income tax rate that resulted in a deferred income tax recovery of $51 million in the second quarter of 2019, of which there is no comparable tax recovery recognized in the second quarter of 2020. Partially offsetting these decreases was higher adjusted EBITDA, mainly from the acquisitions of Goreway in the second quarter of 2019 and Buckthorn Wind in the second quarter of 2020, and commencement of operations of Whitla Wind 1 in the fourth quarter of 2019 and Cardinal Point Wind late in the first quarter of 2020.

For the quarter ended March 31, 2020, the Company recorded net income attributable to shareholders of $2 million compared to net income attributable to shareholders of $61 million for the quarter ended March 31, 2019. Decreases in net income in the first quarter of 2020 were driven partly by unrealized losses on commodity derivatives and emission credits being $52 million higher than in the first quarter of 2019. This was most notably due to unrealized losses in the first quarter of 2020 due to the reversal of prior period unrealized gains for trades settled in the period as compared to unrealized gains in the comparative period of 2019, most notably on the reversal of prior period unrealized losses on natural gas derivatives settled during the three months ended March 31, 2019. In addition, the first quarter of 2020 had higher depreciation and amortization primarily due to the acquisition of Goreway in the second quarter of 2019, Whitla Wind 1 commencing commercial operations in the fourth quarter of 2019 and losses on the discontinuation of the Genesee 4 and 5 project recorded in the quarter. Partially offsetting these decreases was higher adjusted EBITDA, mainly from the acquisition of Goreway in the second quarter of 2019 and commencement of operations of Whitla Wind 1 in the fourth quarter of 2019 and lower income tax expense primarily due to lower consolidated income before tax.

For the quarter ended December 31, 2019, the Company recorded net income attributable to shareholders of $182 million compared to net income attributable to shareholders of $138 million for the quarter ended December 31, 2018. Gains in the fourth quarter of 2019 related to the Genesee 3 and Keephills 3 swap transaction were largely offset by the gain on disposal of the Company's minority owned interest in K2 Wind during the fourth quarter of 2018. Increases in net income in the fourth quarter of 2019 were driven partly by unrealized gains on commodity derivatives and emission credits being $81 million higher than in the comparable 2018 period, most notably related to the impact of decreasing forward prices on forward sales contracts for the Company's U.S. wind facilities in the fourth quarter of 2019. In addition, adjusted EBITDA was higher as a result of the 2019 addition of Goreway and the acquisition of Arlington Valley and commercial operation of New Frontier Wind in the fourth quarter of 2018, as well as higher Alberta commercial EBITDA on higher captured pricing. Partially offsetting these increases was a corresponding increase in depreciation driven by the noted asset additions. Further offsetting the increases in net income were higher tax expenses in the fourth quarter of 2019 primarily due to recognition of deferred income tax expense on the one-time adjustment to accelerate the recognition of deferred government grant revenue upon close of the Genesee 3 and Keephills 3 swap transaction, partially offset by the reversal of deferred income tax expense on the disposal of Keephills 3.

For the quarter ended September 30, 2019, the Company recorded net loss attributable to shareholders of $226 million compared to net income attributable to shareholders of $18 million for the quarter ended September 30, 2018. The decrease was largely due to pre-tax impairment of $401 million on Keephills 3 upon classification as an asset held for sale. Further contributing to the decrease was higher depreciation and amortization due to New Frontier Wind commencing commercial operation in the last quarter of 2018 and the acquisitions of Arlington Valley and Goreway in the last quarter of 2018 and second quarter of 2019, respectively, partly offset by depreciation for Keephills 3 ceasing following its classification as held for sale in August 2019. Higher net loss attributable to shareholders was partially offset by an increase in adjusted EBITDA, most notably due to the additions of Goreway and Arlington Valley and commencement of operations at New Frontier Wind, as well as an increase in unrealized gains on commodity derivatives and emission credits, which were $43 million higher in the third quarter of 2019 compared to the third quarter of 2018. In addition, income tax recovery for the third quarter of 2019 was $66 million compared to income tax expense of $7 million for the third quarter of 2018, primarily due to the recognition of a deferred tax recovery on the impairment of Keephills 3.

For the quarter ended June 30, 2019, the Company recorded net income attributable to shareholders of $108 million compared to net income attributable to shareholders of $68 million for the quarter ended June 30, 2018. The increase mainly resulted from an income tax recovery of $33 million in the second quarter of 2019 compared to income tax expense of $46 million in the second quarter of 2018 primarily due to a reduction in the Alberta corporate income tax rate enacted in the second quarter of 2019. Further contributing to the increase were unrealized gains on commodity derivatives and emission credits which were $26 million higher in the second quarter of 2019 compared to the second quarter of 2018. These variances were partially offset by higher depreciation and amortization due to New Frontier Wind commencing commercial operation in the last quarter of 2018 and the acquisitions of Arlington Valley and Goreway in the last quarter of 2018 and second quarter of 2019, respectively. In addition, adjusted EBITDA was lower in the second quarter of 2019 compared to the second quarter of 2018, largely due to the timing and length of planned outages and the impact of the Bloom Wind tax equity agreement renegotiation in the second quarter of 2018, offset partially by higher margins earned on the sale of emission credits in the second quarter of 2019.

For the quarter ended March 31, 2019, the Company recorded net income attributable to shareholders of $61 million compared to net income attributable to shareholders of $41 million for the quarter ended March 31, 2018. The increase compared to the prior quarter mainly resulted from an increase in adjusted EBITDA most notably due to the higher Alberta power pricing averaging $69 per MWh in the first quarter of 2019 compared to $35 per MWh in the first quarter of 2018, offset partially by lower adjusted EBITDA from joint ventures due to the disposal of K2 Wind in December 2018. Other notable impacts included higher unrealized gains on commodity derivatives and emission credits in 2019, which were higher by $35 million, largely offset by higher depreciation and amortization due to the acquisition of Arlington Valley and New Frontier Wind commencing commercial operation in the last quarter of 2018, and increased income tax expense primarily due to higher consolidated income before tax.

Share and Partnership Unit Information

Quarterly common share trading information

The Company's common shares are listed on the Toronto Stock Exchange under the symbol CPX and began trading on June 26, 2009.

	Three months ended							
Share price ($/common share)	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
High	**36.47**	**30.28**	**29.92**	**38.88**	35.09	31.43	32.25	32.44
Low	**29.13**	**26.57**	**23.24**	**20.23**	30.13	29.31	29.60	26.22
Close	**34.98**	**29.39**	**27.98**	**27.15**	34.39	30.68	30.15	31.30
Volume of shares traded (millions)	**20.2**	**21.6**	**29.5**	**31.8**	21.3	18.2	19.6	18.0

Outstanding share and partnership unit data

As at February 16, 2021, the Company had 106.974 million common shares, 5 million Cumulative Rate Reset Preference Shares (Series 1), 6 million Cumulative Rate Reset Preference Shares (Series 3), 8 million Cumulative Rate Reset Preference Shares (Series 5), 8 million Cumulative Minimum Rate Reset Preference Shares (Series 7), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 9), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 11), and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and ignoring exercise prices, the outstanding and issuable common shares as at February 16, 2021 were 109.305 million. The outstanding special limited voting share is held by EPCOR.

As at February 16, 2021, CPLP had 24.040 million general partnership units outstanding and 89.473 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held by the Company.

Additional Information

Additional information relating to Capital Power Corporation, including the Company's annual information form and other continuous disclosure documents, is available on SEDAR at www.sedar.com.

Forward-looking Information

Forward-looking information or statements included in this Integrated Annual Report are provided to inform the Company's shareholders and potential investors about management's assessment of Capital Power's future plans and operations. This information may not be appropriate for other purposes. The forward-looking information in this Integrated Annual Report is generally identified by words such as will, anticipate, believe, plan, intend, target, and expect or similar words that suggest future outcomes.

Material forward-looking information in this Integrated Annual Report includes expectations regarding:

- our priorities and long-term strategies, including our corporate, sustainability, renewables and digitalization strategies;
- our company-wide targets specific to climate-related performance, including reduction of emissions and emissions intensity and being net carbon neutral by 2050, repowering of Genesee 1 and 2, completion of the Genesee Carbon Conversion Centre and commercial application of carbon conversion technologies;
- the implementation of Ops 2030, including its expected impact on adjusted EBITDA;
- our efforts to create a more equitable workplace and our goals for diversity of our workforce;
- our goals for long-term Total Shareholder Return, annual capital growth and future dividend growth;
- our plans to discontinue operations of our Southport and Roxboro facilities in 2021;
- our 2021 performance targets, including for facility availability, sustaining capital expenditures, AFFO and adjusted EBITDA;
- our plans to add approximately 425 MW of renewables generation to our fleet by the end of 2022;
- our plans to reduce our emissions using clean energy technologies, such as carbon capture, utilization and storage technologies, including our investment in C2CNT, the anticipated production of carbon nanotubes, and resulting downstream benefits;
- our plans to commence commercial production of carbon nanotubes at the Genesee Carbon Conversion Centre;
- expectations around timing and costs associated with our upgrades and repowering plans at our Genesee facility, including being off coal in 2023;
- future revenues, expenses, earnings, adjusted EBITDA and AFFO;
- the future pricing of electricity and market fundamentals in existing and target markets;
- future dividend growth;
- our future cash requirements, including interest and principal repayments, capital expenditures, dividends and distributions;
- the 2021 dividend reinvestment plan participation rate;
- our sources of funding, adequacy and availability of committed bank credit facilities and future borrowings;
- future growth and emerging opportunities in our target markets, including the focus on certain technologies;
- the timing, funding, costs of and financial impacts (including impacts to adjusted EBITDA and AFFO) related to existing, planned and potential development projects and acquisitions (including the repowering of Genesee 1 and 2 (including being hydrogen ready), phases 2 and 3 of Whitla Wind, Buckthorn Wind, Cardinal Point Wind, Strathmore Solar, Bear Branch Solar, Hornet Solar, Hunter's Cove Solar and Enchant Solar (see Significant Events, page 57));
- facility availability and planned outages;
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects, commercial initiatives);
- the likelihood of meeting the threshold and paying out contingent consideration related to Buckthorn Wind;
- the timing of the Buckthorn Wind tax equity investor reaching the agreed upon target rate of return;
- the timing of completion of the Decatur Energy combustion turbine upgrades and impacts of the Decatur Energy tolling agreement extension on adjusted EBITDA (see Significant Events, page 57);
- impacts of the Vestas LTSA extensions (see Significant Events, page 57), including cost reductions, impacts on adjusted EBITDA and AFFO in the years the executed agreements become effective;

- discussion of our risks and strategies and plans for risk management and mitigation;
- the impacts of market designs in our core markets;
- settling our 2020 emissions compliance obligation through payments into the TIER fund;
- matters related to the LLR Proceeding, including timing of payments to the AESO and recovery from appropriate parties and potential impacts to the Company arising from the foregoing; and
- the impact of climate change, the COVID-19 pandemic and the decline in oil prices.

These statements are based on certain assumptions and analyses made by the Company considering its experience and perception of historical and future trends, current conditions, expected future developments, and other factors it believes are appropriate, including its review of purchased businesses and assets. The material factors and assumptions used to develop these forward-looking statements relate to:

- electricity, other energy and carbon prices;
- performance;
- business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects;
- status of and impact of policy, legislation and regulations;
- effective tax rates;
- the development and performance of technology;
- foreign exchange rates;
- matters relating to the LLR Proceeding, including the timing of payments to the AESO and recovery from appropriate parties; and
- other matters discussed under the Our Strategy section pertaining to Performance Targets for 2021.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to several known and unknown risks and uncertainties which could cause actual results and experience to differ materially from the Company's expectations. Such material risks and uncertainties include:

- changes in electricity, natural gas and carbon prices in markets in which the Company operates and the use of derivatives;
- regulatory and political environments, including changes to environmental, climate, financial reporting, market structure and tax legislation;
- generation facility availability, wind capacity factor and performance, including maintenance expenditures;
- ability to fund current and future capital and working capital needs;
- acquisitions and developments, including timing and costs of regulatory approvals and construction;
- changes in the availability of fuel;
- ability to realize the anticipated benefits of acquisitions;
- limitations inherent in the Company's review of acquired assets;
- changes in general economic and competitive conditions;
- changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs; and
- risks and uncertainties discussed under the Risks and Risk Management section (see page 78).

Readers are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

INDEPENDENT LIMITED ASSURANCE REPORT TO CAPITAL POWER CORPORATION

We have been engaged by the management of Capital Power Corporation (“Capital Power”) to undertake a limited assurance engagement, in respect of the year ended December 31, 2020, on certain quantitative performance information disclosed in Capital Power’s 2020 Integrated Annual Report (the “Report”) as described below.

Subject Matter Information and applicable criteria

The scope of our limited assurance engagement, as agreed with management, comprises the following performance information (the “Subject Matter Information”):

- Greenhouse gas (GHG) intensity (tCO2e / MWh)
- Total Scope 1 GHG emissions (tCO2e)
- Investment in GPS (Genesee Performance Standard) and C2CNT program (million $)
- Community investment (million $)
- Total recordable injury frequency (work-related injury / 200,000 hours worked) for Corporate/Operations
- % of women in executive leadership positions

The Subject Matter Information, contained within the Report and indicated with the symbol ☑, have been determined by management on the basis of Capital Power’s assessment of the material issues contributing to Capital Power’s sustainability and GHG performance and most relevant to their stakeholders.

There are no mandatory requirements for the preparation, publication or audit of sustainability performance metrics. As such, Capital Power applies the World Resources Institute/World Business Council for Sustainable Development’s Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (the ‘GHG Protocol’) and its own internal reporting guidelines and definitions for corporate sustainability reporting (collectively the ‘applicable criteria’). The internal reporting guidelines and definitions can be found in the GRI Content Index and relevant footnotes in the Report.

Management’s responsibilities

Management is responsible for the preparation and presentation of the Subject Matter Information in accordance with the GHG Protocol and Capital Power’s internal reporting guidelines and definitions for sustainability reporting, current as at the date of our report. Management is also responsible for determining Capital Power’s objectives in respect of sustainability performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility and professional requirements

Our responsibility in relation to the Subject Matter Information is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000 Revised) and International Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements* (ISAE 3410), issued by the International Auditing and Assurance Standards Board. ISAE 3000 and ISAE 3410 require that we plan and perform our procedures to obtain the stated level of assurance, in accordance with the applicable criteria.

Independence, quality control and competence

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement was conducted by a multidisciplinary team which included professionals with suitable skills and experience in both assurance and in the applicable subject matters.

Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Subject Matter Information and applying analytical and other evidence gathering procedures to the Subject Matter Information, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of Capital Power's processes for determining the material issues for Capital Power's key stakeholder groups;
- Inquiries with relevant staff at the corporate and facility level to understand the data collection and reporting processes for the Subject Matter Information;
- Assessment of the suitability and application of the criteria in respect of the Subject Matter Information
- Where relevant, performing walkthroughs of data collection and reporting processes for the Subject Matter Information;
- Comparing a sample of the reported data for the Subject Matter Information to underlying data sources;
- Inquiries of management regarding key assumptions and, where relevant, the re-performance of calculations;
- Completion of remote site visits to a sample of Capital Power's facilities, including walkthrough of data collection and reporting processes, interviews with senior management and relevant staff and virtual site tours; and,
- Reviewing the presentation of the Subject Matter Information in the Report to determine whether it is consistent with our overall knowledge of, and experience with, the sustainability performance of Capital Power.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is obtained.

Inherent limitations

Non-financial information, such as that supporting the Subject Matter Information, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as well as the measurement criteria may change over time.

Our conclusion

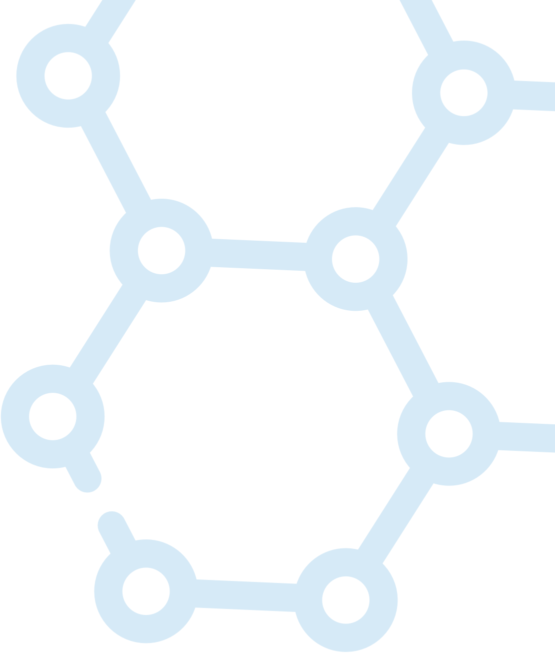
Based on the procedures performed, nothing has come to our attention that causes us to believe that for the year ended December 31, 2020, the Subject Matter Information, as described above and disclosed in the Capital Power 2020 Integrated Annual Report, has not been prepared and presented, in all material respects, in accordance with the GHG Protocol and Capital Power's internal reporting guidelines and definitions for sustainability reporting as at the date of our report.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 18, 2021

Vancouver, Canada



Consolidated Financial Statements of

Capital Power Corporation

(In millions of Canadian dollars)
Years ended December 31, 2020 and 2019

Management's Responsibility for Financial Reporting

The preparation and presentation of the accompanying consolidated financial statements of Capital Power Corporation (the Company) are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to February 18, 2021. Financial information presented elsewhere in the Company's Integrated Annual Report is consistent with that in the consolidated financial statements.

To discharge its responsibility for financial reporting, management maintains systems of internal controls designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.

The consolidated financial statements have been examined by KPMG LLP, the Company's external auditors. The external auditors are responsible for examining the consolidated financial statements and expressing their opinion on the fairness of the financial statements in accordance with International Financial Reporting Standards. The independent auditors' report outlines the scope of their audit examination and states their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, which is comprised of independent directors, meets regularly with management, the internal auditors and the external auditors to satisfy itself that each group is discharging its responsibilities with respect to internal controls and financial reporting. The Audit Committee reviews the consolidated financial statements and integrated annual report and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management. The Audit Committee is also responsible for reviewing and recommending the annual appointment of the external auditors and approving the annual external audit plan.

On behalf of management,

Brian Vaasjo	SAHaskins
Brian Vaasjo President and Chief Executive Officer	Sandra Haskins Senior Vice President, Finance and Chief Financial Officer

February 18, 2021

2020 Consolidated Financial Statements Contents

KPMG LLP
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Edmonton, AB T5J 0H3
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www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Capital Power Corporation

Opinion

We have audited the consolidated financial statements of Capital Power Corporation (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the fair value of level 3 derivative financial instruments

Description of the matter

We draw your attention to Note 2(j), Note 3, Note 14 and Note 29 to the financial statements. The Entity has recorded level 3 derivative financial assets of $66 million and liabilities of $31 million. The estimate of fair value for level 3 derivative financial instruments contains significant unobservable inputs, including forward power pricing and anticipated generation based on internally developed models.

Why the matter is a key audit matter

We identified the evaluation of the fair value of level 3 derivative financial instruments as a key audit matter. This matter represented an area of significant risk of material misstatement requiring significant auditor effort and specialized skills and knowledge to evaluate the Entity's internally developed fair value models.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We inspected the terms of relevant underlying contracts and compared these to the Entity's internally developed models of fair value for the level 3 derivative financial instruments.

For level 3 derivative financial instruments where anticipated generation was the unobservable input:

- We involved valuation professionals with specialized skills and knowledge to assess the appropriateness of the internally developed model for a contract acquired in the year.
- To assess the appropriateness of anticipated generation used in the model, we compared the anticipated generation predicted by a model in the prior year to the actual generation.
- To assess the impact of the unobservable input on fair value, we performed sensitivity analysis using the anticipated generation in the Entity's model and the observed variances between actual and anticipated generation.

For level 3 derivative financial instruments where forward power pricing was the unobservable input:

- We involved valuation professionals with specialized skills and knowledge to assess the appropriateness of the forward power pricing in the Entity's internally developed models by comparing to independently derived forward power pricing.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2020 Integrated Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the "2020 Integrated Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Ravine Basahti.

Edmonton, Canada

February 18, 2021

Consolidated Statements of Income

(In millions of Canadian dollars, except per share amounts)

Years ended December 31		2020		2019
Revenues	**$**	**1,791**	$	1,713
Other income (note 6)		**146**		250
Energy purchases and fuel (note 7)		**(584)**		(418)
Gross margin		**1,353**		1,545
Other raw materials and operating charges		**(160)**		(140)
Staff costs and employee benefits expense (note 7)		**(171)**		(167)
Depreciation and amortization (note 7)		**(478)**		(473)
Impairments (notes 5 and 19)		**(26)**		(401)
Other administrative expense		**(106)**		(116)
Foreign exchange loss		**–**		(5)
Operating income		**412**		243
Gain on acquisition transaction (note 5)		**–**		24
Net finance expense (note 8)		**(197)**		(156)
(Loss) income from joint venture (note 33)		**(3)**		2
Income before tax		**212**		113
Income tax (expense) recovery (note 9)		**(82)**		6
Net income	**$**	**130**	$	119
Attributable to:				
Non-controlling interests (note 32)	**$**	**(6)**	$	(6)
Shareholders of the Company	**$**	**136**	$	125
Earnings per share (attributable to common shareholders of the Company):				
Basic (note 10)	**$**	**0.78**	$	0.73
Diluted (note 10)	**$**	**0.77**	$	0.72

See accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Income

(In millions of Canadian dollars)

Years ended December 31		2020		2019
Net income	**$**	**130**	$	119
Other comprehensive loss:				
Items that will not be reclassified subsequently to net income:				
Defined benefit plans:				
Actuarial losses[1]		**(5)**		(6)
Items that are or may be reclassified subsequently to net income:				
Cash flow hedges:				
Unrealized losses on derivative instruments[2]		**(12)**		(26)
Reclassification of (gains) losses on derivative instruments to income for the year[3]		**(26)**		9
Net investment in foreign subsidiaries:				
Unrealized losses[4]		**(18)**		(39)
Total items that are or may be reclassified subsequently to net income, net of tax		**(56)**		(56)
Total other comprehensive loss, net of tax		**(61)**		(62)
Total comprehensive income	**$**	**69**	$	57
Attributable to:				
Non-controlling interests (note 32)	**$**	**(6)**	$	(6)
Shareholders of the Company	**$**	**75**	$	63

[1] *For the years ended December 31, 2020 and December 31, 2019, net of income tax recoveries of $1, respectively.*

[2] *For the years ended December 31, 2020 and December 31, 2019, net of income tax recoveries of $2 and $8, respectively.*

[3] *For the years ended December 31, 2020 and December 31, 2019, net of reclassifications of income tax expense of $8 and income tax recovery of $3, respectively.*

[4] *For the years ended December 31, 2020 and December 31, 2019, net of income tax expense of $1 and nil, respectively.*

See accompanying notes to the consolidated financial statements

Consolidated Statements of Financial Position

(In millions of Canadian dollars)

As at December 31		2020		2019
Assets				
Current assets:				
Cash and cash equivalents (note 11)	**$**	**367**	$	248
Trade and other receivables (note 12)		**499**		334
Inventories (note 13)		**220**		203
Derivative financial instruments assets (note 14)		**71**		46
		1,157		831
Non-current assets:				
Other assets		**37**		53
Derivative financial instruments assets (note 14)		**177**		140
Government grant receivable (note 15)		**387**		423
Deferred tax assets (note 16)		**19**		24
Equity-accounted investments (note 33)		**134**		132
Right-of-use assets (note 17)		**129**		95
Intangible assets and goodwill (note 18)		**773**		795
Property, plant and equipment (note 19)		**6,098**		6,089
Total assets	**$**	**8,911**	$	8,582

See accompanying notes to the consolidated financial statements

Consolidated Statements of Financial Position

(In millions of Canadian dollars)

As at December 31	2020	2019
Liabilities and equity		
Current liabilities:		
Trade and other payables (note 20)	**$ 470**	$ 301
Derivative financial instruments liabilities (note 14)	**91**	143
Loans and borrowings (note 21)	**417**	857
Deferred revenue and other liabilities (note 23)	**135**	60
Provisions (note 24)	**37**	41
	1,150	1,402
Non-current liabilities:		
Derivative financial instruments liabilities (note 14)	**212**	107
Loans and borrowings (note 21)	**3,135**	2,556
Lease liabilities (note 17)	**143**	105
Deferred revenue and other liabilities (note 23)	**277**	383
Deferred tax liabilities (note 16)	**601**	512
Provisions (note 24)	**464**	416
	4,832	4,079
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 25)	**3,465**	3,441
Deficit	**(474)**	(347)
Other reserves	**(91)**	(30)
Deficit and other reserves	**(565)**	(377)
	2,900	3,064
Non-controlling interests (note 32)	**29**	37
Total equity	**2,929**	3,101
Total liabilities and equity	**$ 8,911**	$ 8,582

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

Kate Stevenson

Donald Lowry
Director and Chair of the Board

Katharine Stevenson
Director and Chair of the Audit Committee

Consolidated Statements of Changes in Equity

(In millions of Canadian dollars)

	Share capital (note 25)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests (note 32)	Total
Equity as at January 1, 2020	$ 3,441	$ (10)	$ (16)	$ (15)	$ 11	$ (347)	$ 3,064	$ 37	$ 3,101
Net income	–	–	–	–	–	136	136	(6)	130
Other comprehensive loss:									
Defined benefit plan actuarial loss	–	–	–	(6)	–	–	(6)	–	(6)
Cash flow derivative hedge losses	–	(14)	–	–	–	–	(14)	–	(14)
Reclassification of gains to net income	–	(34)	–	–	–	–	(34)	–	(34)
Unrealized losses on foreign currency translation	–	–	(17)	–	–	–	(17)	–	(17)
Tax on items recognized directly in equity	–	10	(1)	1	–	–	10	–	10
Other comprehensive loss	$ –	$ (38)	$ (18)	$ (5)	$ –	$ –	$ (61)	$ –	$ (61)
Total comprehensive (loss) income	–	(38)	(18)	(5)	–	136	75	(6)	69
Distributions to non-controlling interests	–	–	–	–	–	–	–	(2)	(2)
Common share dividends (note 25)	–	–	–	–	–	(209)	(209)	–	(209)
Preferred share dividends (note 25)	–	–	–	–	–	(52)	(52)	–	(52)
Tax on preferred share dividends	–	–	–	–	–	(2)	(2)	–	(2)
Dividends reinvested	15	–	–	–	–	–	15	–	15
Common shares purchased	(10)	–	–	–	–	–	(10)	–	(10)
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	19	–	–	–	(1)	–	18	–	18
Equity as at December 31, 2020	**$ 3,465**	**$ (48)**	**$ (34)**	**$ (20)**	**$ 11**	**$ (474)**	**$ 2,900**	**$ 29**	**$ 2,929**

[1] *Accumulated other comprehensive loss. Other reserves on the statements of financial position are the aggregate of accumulated other comprehensive loss and the employee benefits reserve.*

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Equity

(In millions of Canadian dollars)

	Share capital (note 25)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests (note 32)	Total
Equity as at January 1, 2019	$ 3,200	$ 7	$ 23	$ (9)	$ 11	$ (222)	$ 3,010	$ 43	$ 3,053
Impact of IFRS 16 lessee accounting policy change	–	–	–	–	–	(8)	(8)	–	(8)
Tax impact of IFRS 16 lessee accounting policy change	–	–	–	–	–	2	2	–	2
Adjusted equity as at January 1, 2019	$ 3,200	$ 7	$ 23	$ (9)	$ 11	$ (228)	$ 3,004	$ 43	$ 3,047
Net income	–	–	–	–	–	125	125	(6)	119
Other comprehensive income (loss):									
Defined benefit plan actuarial loss	–	–	–	(7)	–	–	(7)	–	(7)
Cash flow derivative hedge losses	–	(34)	–	–	–	–	(34)	–	(34)
Reclassification of losses to net income	–	12	–	–	–	–	12	–	12
Unrealized loss on foreign currency translation	–	–	(39)	–	–	–	(39)	–	(39)
Tax on items recognized directly in equity	–	5	–	1	–	–	6	–	6
Other comprehensive (loss) income	$ –	$ (17)	$ (39)	$ (6)	$ –	$ –	$ (62)	$ –	$ (62)
Total comprehensive (loss) income	–	(17)	(39)	(6)	–	125	63	(6)	57
Common share dividends (note 25)	–	–	–	–	–	(195)	(195)	–	(195)
Preferred share dividends (note 25)	–	–	–	–	–	(48)	(48)	–	(48)
Tax on preferred share dividends	–	–	–	–	–	(1)	(1)	–	(1)
Issue of share capital	300	–	–	–	–	–	300	–	300
Share issue costs	(12)	–	–	–	–	–	(12)	–	(12)
Deferred tax on share issue costs	2	–	–	–	–	–	2	–	2
Common shares purchased	(74)	–	–	–	–	–	(74)	–	(74)
Share-based payments	–	–	–	–	2	–	2	–	2
Share options exercised	25	–	–	–	(2)	–	23	–	23
Equity as at December 31, 2019	$ 3,441	$ (10)	$ (16)	$ (15)	$ 11	$ (347)	$ 3,064	$ 37	$ 3,101

[1] *Accumulated other comprehensive loss. Other reserves on the statements of financial position are the aggregate of accumulated other comprehensive loss and the employee benefits reserve.*

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(In millions of Canadian dollars)

Years ended December 31		2020		2019
Cash flows from operating activities:				
Net income	**$**	**130**	$	119
Non-cash adjustments to reconcile net income to net cash flows from operating activities:				
Gain on acquisition transaction (note 5)		**–**		(24)
Impairments (notes 5 and 19)		**26**		401
Depreciation and amortization (note 7)		**478**		473
Net finance expense (note 8)		**197**		156
Fair value changes on commodity derivative instruments and emission credits held for trading		**15**		(118)
Foreign exchange loss		**–**		5
Income tax expense (recovery) (note 9)		**82**		(6)
Loss (income) from joint venture (note 33)		**3**		(2)
Recognition of government grant deferred revenue		**(50)**		(181)
Tax equity attributes (note 6)		**(88)**		(57)
Other items		**13**		21
Change in fair value of derivative instruments reflected as cash settlement		**(14)**		29
Distributions received from joint venture (note 33)		**11**		12
Interest paid		**(132)**		(110)
Income taxes paid		**(41)**		(11)
Other cash items (note 26)		**(45)**		(56)
Change in non-cash operating working capital (note 26)		**26**		69
Net cash flows from operating activities		**611**		720
Cash flows used in investing activities:				
Purchase of property, plant and equipment and other assets		**(306)**		(635)
Business acquisitions, net of acquired cash (notes 4 and 5)		**(79)**		(392)
Proceeds on disposal of joint venture		**–**		90
Government grant received		**50**		50
Other cash flows (used in) from investing activities		**(2)**		19
Change in non-cash investing working capital		**(12)**		2
Net cash flows used in investing activities		**(349)**		(866)
Cash flows (used in) from financing activities:				
Proceeds from issue of loans and borrowings		**578**		900
Repayment of loans and borrowings		**(444)**		(633)
Issue costs on loans and borrowings		**(9)**		(7)
Repayment of lease liabilities		**(6)**		(7)
Issue of share capital (note 25)		**–**		300
Share issue costs (note 25)		**–**		(12)
Proceeds from exercise of share options		**18**		23
Common shares purchased (note 25)		**(10)**		(74)
Dividends paid (note 25)		**(242)**		(238)
Capitalized interest paid		**(5)**		(13)
Distributions to non-controlling interests (note 32)		**(2)**		–
Income taxes paid on preferred share dividends		**(22)**		(19)
Other cash flows used in financing activities		**(2)**		(2)
Net cash flows (used in) from financing activities		**(146)**		218
Foreign exchange gain (loss) on cash held in a foreign currency		**3**		(6)
Net increase in cash and cash equivalents		**119**		66
Cash and cash equivalents, beginning of year		**248**		182
Cash and cash equivalents, end of year	**$**	**367**	$	248

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

(Tabular amounts in millions of Canadian dollars, except share and per share amounts)

1. Reporting entity:

Capital Power Corporation (the Company or Capital Power) develops, acquires, owns and operates utility-scale renewable and thermal power generation facilities and manages its related electricity and natural gas portfolios by undertaking trading and marketing activities.

The registered and head office of the Company is located at 10423 101 Street, Edmonton, Alberta, Canada, T5H 0E9. The common shares of the Company are traded on the Toronto Stock Exchange under the symbol "CPX".

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements have been prepared under the historical cost basis, except for the Company's derivative instruments, emission credits held for trading, defined benefit pension plan assets and cash-settled share-based payments, which are stated at fair value.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 18, 2021.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of Capital Power and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases to exist.

The Company has a 100% interest in each of Capital Power L.P. (CPLP), Capital Power L.P. Holdings Inc. and Capital Power (US Holdings) Inc. (2019 – 100%), which are all controlled by Capital Power and are therefore treated as subsidiaries of the Company.

Non-controlling interests in subsidiaries are identified separately from equity attributable to shareholders of the Company. The non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquired business' identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intercompany balances and transactions have been eliminated on consolidation.

(c) Business combinations and goodwill:

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of acquisition in exchange for control of the acquired business. Goodwill is measured as the excess of the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately into net income.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Where an acquisition involves consideration contingent on future events, any changes in the amount of consideration paid will be recognized into net income.

2. Significant accounting policies, continued:

The Company elects on a transaction-by-transaction basis whether to measure a non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs and other acquisition costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Goodwill

After initial recognition, goodwill is not amortized, but is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired, at the cash-generating unit (CGU) level. For the purpose of impairment testing, goodwill acquired in an acquisition is, from the date of acquisition, allocated to each of the Company's CGUs that are expected to benefit from the acquisition.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

For further discussion on impairment of goodwill, refer to the accounting policy for impairment of non-financial assets (note 2(o)).

(d) Investments in joint arrangements:

Investments in joint operations

Capital Power has interests with other parties (the Joint Operators), whereby in each case the Joint Operators have a contractual arrangement that establishes the Joint Operators' rights to the assets and obligations for the liabilities of the arrangement and the Joint Operators' rights to the corresponding revenues and obligations for the corresponding expenses. These arrangements are considered to be joint operations.

In these situations, Capital Power recognizes its share of the joint operations' assets and liabilities in accordance with those associated rights and obligations, along with its share of the revenues from the output of the joint operation and its share of any expenses incurred. The accounting policies of these joint operations are aligned with the accounting policies of the Company.

Investment in joint venture

When the Company has an equal interest in a partnership with an external party where, by contractual agreement, each of the Partners effectively has rights to the net assets of the arrangement, the arrangement is considered to be a joint venture.

The Company's investment in a joint venture is accounted for under the equity method and recognized initially at cost. The carrying amount is increased or decreased to recognize the Company's share of the joint venture's total comprehensive income or loss after the date of acquisition. Distributions received from a joint venture reduce the carrying amount of the investment. The accounting policies of the joint venture are aligned with the accounting policies of the Company.

(e) Foreign currency translation:

Transactions in foreign currencies are translated to the respective functional currencies of the Company, or the subsidiary concerned, at exchange rates in effect at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the date of the statement of financial position. The translation for other non-monetary assets is not updated from historical exchange rates unless they are carried at fair value. Revenues, other income and expenses are translated at average exchange rates prevailing during the period. The resulting foreign exchange gains and losses are included in net income.

On consolidation, the assets and liabilities of U.S. operations that have a functional currency that is different from the Company's functional currency of Canadian dollars are translated into Canadian dollars at the exchange rates in effect at the date of the statement of financial position. Revenues, other income and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are deferred and included in accumulated other comprehensive loss as unrealized gains and losses on net investment in foreign subsidiaries.

2. Significant accounting policies, continued:

(f) Government grant:

The Company's government grant reflects compensation to be received from the Province of Alberta (the Province) through 2030 related to the phase-out of coal-fired generation (see note 15). The Company recognizes government grants initially at fair value, and subsequently at amortized cost using the effective interest method and records such grants as a receivable and deferred revenue when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Interest income is accrued on the government grant receivable, within net finance expense, until the final payment is received in 2030 and the associated deferred revenue is recognized as other income on a straight-line basis over the depreciable life of the coal-fired assets.

The Company also applies the recognition and measurement principles of IAS 20 – Accounting for government grants and disclosure of government assistance for certain U.S. income tax benefits received under tax-equity structures with participating project investors (refer to note 2(i)).

(g) Revenue recognition:

The Company's revenues from contracts with customers are disaggregated by major type of revenues and operational groupings by facility category. Major types of revenues include energy revenues and emission credit revenues. Revenues excluded from the scope of IFRS 15 are disclosed as revenues from other sources and consist of contracts accounted for under IFRS 16 – Leases (note 2(h)) and IFRS 9 – Financial Instruments as described in the following table. Disaggregated revenues are disclosed in note 36.

Contracts with customers by operational groupings are as follows:

Operational grouping	Description
Alberta Commercial	The majority of the Company's interests in Alberta Commercial facilities are conducted through joint operations and the power is sold into energy markets on a merchant or non-contracted basis and included in energy revenues. Renewable Energy Credit (REC) sales from Halkirk Wind are also within the scope of IFRS 15 and are described in the contracts with customers table below. The Company's portfolio optimization activities and associated revenues are excluded from the scope of IFRS 15.
Alberta Contracted[1]	Power generation revenue from the Alberta Contracted facilities is managed under power purchase arrangements (PPAs) determined to be leases, which are accounted for under IFRS 16 and excluded from the scope of IFRS 15. Generation in excess of the committed capacity under these PPAs is managed as part of the Company's Alberta electricity portfolio optimization activities accounted for under IFRS 9 – Financial Instruments, and therefore is excluded from the scope of IFRS 15. By-product energy sales are included in energy revenues within the scope of IFRS 15.
Ontario and British Columbia Contracted	The majority of the power generated by the Ontario and British Columbia Contracted facilities is sold pursuant to long-term energy supply contracts and electricity purchase agreements which are included in energy revenues within the scope of IFRS 15. Steam production sales are also included in energy revenues within the scope of IFRS 15.
U.S. Contracted	Power generation revenue from the U.S. Contracted facilities that are managed under PPAs and emission credit revenues under fixed price contracts are included in energy revenues and emission credit revenues, respectively, within the scope of IFRS 15. Power generation revenues from U.S. contracted facilities that are managed under tolling agreements are considered to be leases and accounted for under IFRS 16 and excluded from the scope of IFRS 15. In addition, certain U.S. renewable facilities contain revenue swap arrangements that are accounted for under IFRS 9 – Financial Instruments which are also excluded from the scope of IFRS 15.

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[1] *The PPAs for Genesee 1 and 2 expired on December 31, 2020 and as a result, commencing January 1, 2021, power sold by Genesee 1 and 2 will be accounted for under IFRS 15 and will continue to be included in energy revenues.*

2. Significant accounting policies, continued:

Contracts with customers

Revenue type	Nature, timing of satisfaction of performance obligations and significant payment terms
Energy revenues	Electricity and natural gas supply contracts include a single performance obligation that is satisfied over time. Revenues from the sale of electricity and natural gas are recognized under the right to invoice practical expedient. The right to invoice practical expedient allows an entity to recognize revenue when it has the right to invoice the customer, if that amount corresponds directly with the value to the customer of the entity's performance completed to date. This occurs upon delivery or availability for delivery under the respective contracts. Customers are billed in the reporting period subsequent to when the performance obligation was met and settlements are in accordance with the agreed upon contractual terms. In instances where the right to invoice practical expedient cannot be applied, energy revenues are recognized as the performance obligation is satisfied and measured under the output method which is based on energy generated, or availability, depending on the nature of the contracts with customers.
Emission credit revenues	RECs generated by certain of the Company's facilities are sold to the respective customers under the terms of fixed price agreements. REC revenues are recognized when the performance obligations are satisfied at the specified transaction price. This occurs when physical control of RECs is transferred to the customer.

The Company's contracts with customers are billed and paid in accordance with agreed upon contractual terms. The Company has not incurred additional costs to obtain or fulfill the contracts with its customers.

As at December 31, 2020 and 2019, the Company has not recorded any conditional unbilled receivables (contract assets) and has recorded customer advances and deposits (contract liabilities) related to certain joint operation recoveries within deferred revenue and other liabilities (note 23).

Derivative instruments

Revenues also include realized and unrealized gains and losses from derivatives used in the risk management of the Company's generation activities related to commodity prices, and from the Company's proprietary trading activities. Realized gains and losses are recognized when the settlement of trading positions occurs and unrealized gains and losses are recognized as revenues based on the related changes in the fair value of the financial instrument at the end of each reporting period.

Deferred revenue

The Company records any gains resulting from sale and leaseback transactions as deferred revenue on its consolidated statements of financial position and amortizes the gain to depreciation and amortization on a straight-line basis over the lease term.

The government grant described in note 2(f) is recorded as deferred revenue. Accretion of the deferred revenue is recognized in net finance expense on the consolidated statements of income.

Monetary contributions received from external parties used to provide the Company with ongoing access to a supply of goods or services are measured at fair value of the cash received and are initially recorded as deferred revenue. Revenue is recognized straight-line over the life of the associated depreciable asset or as the service is performed, or if an ongoing service is performed as part of an agreement, over the lesser of the life of the agreement and the life of the asset.

2. Significant accounting policies, continued:

(h) Leases or arrangements containing a lease:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. This assessment involves determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset would be depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Lease payments are recorded as interest expense and a reduction of the lease liability. Interest expense is recognized using the effective interest method. The Company is the lessee in contracts for various office, equipment and land leases.

Lessor

At lease inception, the Company determines whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is classified as a finance lease; otherwise it is classified as an operating lease and revenues are recognized on a straight-line basis as part of energy revenues unless another method better represents the earnings process.

(i) Non-derivative financial instruments:

Classification

The Company classifies its non-derivative financial instruments in the following categories: fair value through income or loss (FVTIL) or amortized cost.

The Company determines the classification of financial assets and liabilities at initial recognition. Classification of financial assets and liabilities is determined based on the business model by which assets and liabilities are managed and their cash flow characteristics.

Financial assets and liabilities are measured at FVTIL if they are classified as held for trading or are designated as such upon initial recognition. The Company may designate financial instruments as held at FVTIL when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis.

Measurement

Financial assets and liabilities at fair value through income or loss

Upon initial recognition, transaction costs are recognized into net income as incurred. Financial assets and liabilities classified as held at FVTIL are measured at fair value with the changes in fair value reported in net income. Fair values are determined in the manner described in note 3. Gains or losses realized on derecognition of investments held at fair value through income or loss are recognized into net income.

2. Significant accounting policies, continued:

Financial assets and liabilities at amortized cost

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company's financial assets measured at amortized cost are comprised of cash and cash equivalents, trade and other receivables, and the government grant receivable.

Financial assets are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition they are measured at amortized cost using the effective interest method less any impairment losses as described in note 2(o). The effective interest method calculates the amortized cost of a financial asset or liability and allocates the interest income or expense over the term of the financial asset or liability using an effective interest rate.

The Company's financial liabilities measured at amortized cost are comprised of loans and borrowings and trade and other payables and are recognized on the date at which the Company becomes a party to the contractual arrangement. Liabilities are derecognized when the contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, such as debenture discounts, premiums and issue expenses. Subsequently these liabilities are measured at amortized cost using the effective interest method.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company participates in tax-equity structures with project investors which have financed the construction of certain renewables projects. Such tax-equity structures are used in the U.S. to provide investors with access to U.S. income tax benefits such as investment tax credits, cash grants, production tax credits and accelerated tax depreciation. In return for purchasing equity stakes in these projects, the project investors receive a substantial portion of earnings, tax benefits and cash flows from the projects financed with a tax-equity structure until the projects have yielded an agreed upon target rate of return to the project investors. Immediately thereafter, the structures "flip" such that the Company receives the majority of earnings, tax benefits and cash flows from the projects financed with tax-equity structures. The dates of the "flips" are dependent on the performance of the respective projects. In accordance with the substance of the contractual agreements, the amounts paid by the project investors for their equity stakes are classified as loans and borrowings on the consolidated statements of financial position until the respective "flip" dates of the projects. Subsequent to the "flip" dates, the project investor's equity investments will be accounted for as non-controlling interests. At all times, both before and after the projects "flip," the Company retains control over the projects financed with a tax-equity structure.

The loans and borrowings associated with the tax-equity structures are measured at amortized cost using the effective interest method and are settled over time through the following components:

Components	Description
Production tax credits (PTCs)	Allocation of PTCs to the tax-equity investor derived from the power generated by the respective renewables facility during the period and recognized in other income as earned.
Taxable income (loss), including tax attributes such as accelerated tax depreciation	Allocation of taxable income (loss) and other tax attributes to the tax-equity investor recognized in other income as earned.
Cash distributions	Cash allocation to the tax-equity investor.

2. Significant accounting policies, continued:

(j) Derivative instruments and hedging activities:

To reduce its exposure to movements in energy commodity prices, interest rates and foreign currency exchange rates, the Company uses various risk management techniques including the use of derivative instruments. Derivative instruments may include forward contracts, fixed-for-floating swaps and option contracts. Such instruments may be used to establish a fixed price for an energy commodity, an interest-bearing obligation or an obligation denominated in a foreign currency.

Classification and measurement

All changes in the fair value of derivatives are recorded in net income unless cash flow hedge accounting requirements are met, in which case such derivatives are classified as fair value through other comprehensive income (FVTOCI). Realized gains and losses on financial energy derivatives classified as FVTOCI are recorded in revenues or energy purchases and fuel. Realized gains and losses on interest rate derivatives classified as FVTOCI are recorded in finance expense during the periods when the variability in cash flows of the hedged items affects net income or as the original hedged item settles. Realized gains and losses on foreign exchange derivatives classified as FVTOCI are recorded in foreign exchange gains or losses, or where the hedged transaction results in the recognition of net assets, those realized gains will flow through the initial carrying amount of those net assets. Unrealized gains and losses are recorded in other comprehensive income or loss. Fair values are determined in the manner described in note 3.

All derivative instruments, including embedded derivatives, are recorded at fair value on the statement of financial position as derivative financial instruments assets or derivative financial instruments liabilities except for embedded derivative instruments that are clearly and closely related to their host contract and the combined instrument is not measured at fair value. Derivative instruments are measured at FVTIL unless cash flow hedge accounting is used, in which case they are measured at FVTOCI. Embedded derivative instruments that are in scope of the standard are never separated from their host contract and are classified and measured as a combined instrument.

Any contract to buy or sell a non-financial item is not treated as a non-financial derivative if that contract was entered into and continues to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. The Company accounts separately for any embedded derivatives in any hybrid instruments issued or acquired. The Company does not account for foreign currency derivatives embedded in non-financial instrument host contracts when the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment is that currency in which the transaction takes place.

If hedge accounting requirements are not met, unrealized and realized gains and losses on financial energy derivatives are recorded in revenues or energy purchases and fuel as appropriate, unrealized and realized gains and losses on financial interest rate derivatives are recorded in net finance expense and such gains and losses on financial foreign exchange derivatives are recorded in foreign exchange gains and losses.

Hedge accounting

The Company may use hedge accounting when there is a high degree of correlation between the risk in the item designated as being hedged (the hedged item) and the derivative instrument designated as a hedge (the hedging instrument). The Company documents all relationships between hedging instruments and hedged items at the hedge's inception, including its risk management objectives and its assessment of the effectiveness of the hedging relationship on a retrospective and prospective basis.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income (loss), while the ineffective portion is recognized in revenues, energy purchases and fuel, net finance expense or foreign exchange gain/loss as appropriate. The amounts recognized in other comprehensive income (loss) as cash flow hedging gains/losses are reclassified into net income in the same period or periods in which the hedged item occurs and is recorded in net income when it becomes probable that the hedged items will not occur. The Company has not designated any fair value hedges at the date of the statement of financial position.

2. Significant accounting policies, continued:

A hedging relationship is discontinued if the hedge relationship ceases to be effective, if the hedged item is an anticipated transaction and it is probable that the transaction will not occur by the end of the originally specified time period, if the Company terminates its designation of the hedging relationship, or if either the hedged or hedging instrument ceases to exist as a result of its maturity, expiry, sale, termination or cancellation and is not replaced as part of the Company's hedging strategy.

If a cash flow hedging relationship is discontinued or ceases to be effective, any cumulative gains or losses arising prior to such time are deferred in accumulated other comprehensive loss as part of cash flow hedging gains/losses and recognized in net income in the same period as the hedged item, and subsequent changes in the fair value of the derivative instrument are reflected in net income. If the hedged or hedging item matures, expires, or is sold, extinguished or terminated and the hedging item is not replaced, any gains or losses associated with the hedging item that were previously recognized in other comprehensive income (loss) are recognized in net income in the same period as the corresponding gains or losses on the hedged item.

When it is no longer probable that an anticipated transaction will occur within the originally determined period and the associated cash flow hedge has been discontinued, any remaining gains or losses associated with the hedging item that were previously recognized in other comprehensive income (loss) are recognized in net income in the period.

When the conditions for hedge accounting cannot be applied, the changes in fair value of the derivative instruments are recognized in net income. The fair value of derivative financial instruments reflects changes in the commodity market prices, interest rates and foreign exchange rates. Fair value is determined based on exchange or over-the-counter quotations by reference to bid or asking price, as appropriate, in active markets. In illiquid or inactive markets, the Company uses appropriate valuation and price modelling techniques commonly used by market participants to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates using external readily observable market data such as future prices, interest rate yield curves, foreign exchange rates, discount rates for time value and volatility where available. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

(k) Property, plant and equipment

Property, plant and equipment is recorded at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Capitalization

Cost includes contracted services, materials, borrowing costs on qualifying assets, direct labour, directly attributable overhead costs, development costs associated with specific property, plant and equipment, and asset retirement costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of property, plant and equipment is capitalized if it is probable that the future economic benefits of the part will flow to the Company and that its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of day-to-day repairs and maintenance costs are recognized into net income as incurred.

Depreciation

Depreciation is charged to net income on a straight-line basis over the estimated useful lives of each major component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the asset. Major components of property, plant and equipment are depreciated separately over their respective useful lives which, for our generation facilities and equipment, range from 1 to 40 years. Land and construction work in progress are not depreciated. The estimated useful lives, residual values and methods of depreciation are reviewed annually, and adjusted prospectively if appropriate.

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. Gains or losses on disposals are recognized on their own line within the consolidated statements of income while losses on retirements are recognized within depreciation and amortization.

2. Significant accounting policies, continued:

(l) Intangible assets:

Capitalization

Intangible assets with definite lives are recorded at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Intangible assets with definite lives are generally amortized over the related assets useful lives, as described below. Refer to note 18 for additional discussion on intangible assets.

Amortization

Amortization is charged to net income on a straight-line basis to write off the cost less the estimated residual value over the estimated remaining term of the agreement or in line with the life of the related generating facility to which it relates. Software work in progress is not amortized as the software is not available for use. Land lease rights are amortized when the related wind power assets are constructed and commissioned for service over the lives of the related wind power assets or the term of the lease, whichever is shorter. The Company's purchased emission credits held for compliance purposes are not amortized, but are expensed as the associated benefits are realized. Such emission credits have definite lives as prescribed by their respective vintage years and any emission credits not used by the end of their lives would be expensed at that time.

The periods over which intangible assets are amortized are as follows:

Contract rights	16 to 40 years
Software	5 to 10 years

Estimated useful lives, methods of amortization and residual values are reviewed annually, and adjusted prospectively if required.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized into net income as gains or losses on disposals.

(m) Development costs:

Development costs related to an acquisition or construction project are capitalized only if they can be measured reliably, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset. Other development costs not meeting these criteria are recognized in income or loss as incurred. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses.

(n) Capitalized borrowing costs:

The Company capitalizes interest during construction on its property, plant and equipment, and intangible assets to reflect the costs of borrowing on its construction activities. Where project-specific debt is not used to finance construction, interest is applied during construction using the weighted average cost of debt incurred on the Company's external borrowings used to finance qualifying assets. Interest is only capitalized on assets which necessarily take a significant amount of time to get ready for their intended use.

(o) Impairment of assets:

Non-financial assets

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a CGU, which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company reviews the recoverability of non-financial assets subject to depreciation or amortization (right-of-use assets, property, plant and equipment, and definite life intangible assets) when events or changes in circumstances may indicate or cause the asset's carrying amount to exceed its recoverable amount. The Company reviews the recoverability of goodwill and indefinite life intangibles on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

2. Significant accounting policies, continued:

The asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of expected future cash flows discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is determined using estimated market values utilizing actual market transactions, if available. When actual market transactions are not available, a valuation model is used.

The Company's corporate assets, such as its computer networks and infrastructure, do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Any impairment loss is recorded in net income in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is recorded as the excess of the carrying amount of the asset over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

At the end of each reporting period the Company makes an assessment as to whether there is any indication that previously incurred impairment losses no longer exist. If such an indication exists, the Company estimates the asset's recoverable amount. Any reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, after depreciation or amortization, had the original impairment loss not been recognized.

Any reversal is recognized into net income for the period. An impairment loss in respect of goodwill is not reversed.

Financial assets

The Company applies the "expected credit loss" (ECL) impairment model which applies to all financial assets. The Company considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies judgment to assess whether there is a significant increase in credit risk and considers available and reasonable forward-looking information in supporting this assessment.

The Company has applied the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

For all other financial assets, expected allowances are recognized as 12-month ECLs unless the credit risk of a financial asset has increased significantly, in which case lifetime ECL measurement applies. The Company has identified no financial instruments for which credit risk has increased significantly since initial recognition nor financial assets that are impaired as at December 31, 2020. Credit risk management procedures, including risk mitigation practices, are as described in note 30.

(p) Income taxes:

Income tax expense is comprised of current and deferred tax. Current and deferred tax is recognized in net income or loss, except to the extent that it relates to a business combination, or items recognized directly in equity, other comprehensive income (loss), or in loans and borrowings.

Current income taxes

Current income taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current income taxes also include any tax arising from dividends. Current income tax assets and liabilities are only offset if certain criteria are met.

2. Significant accounting policies, continued:

Deferred income taxes

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the respective amounts used for taxation purposes. Deferred income taxes are not recognized for:

- Temporary differences from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable nor the accounting income;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be used. Future taxable income is determined based on the Company's cash flow projections, which include estimates described in note 3. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable the related tax benefit will be realized; such reductions are reversed when the probability of future taxable income improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable income will be available against which they can be used.

Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred income taxes reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

(q) Inventories:

Parts and other consumables and coal, principally all of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The cost of any assembled inventory includes direct labour, materials and directly attributable overhead. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Previous write-downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstance.

(r) Cash and cash equivalents:

Cash and cash equivalents include cash or highly liquid investment grade short-term investments with original terms to maturity of three months or less, and are measured at amortized cost using the effective interest method.

(s) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The obligation is discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted. The change in discount rate due to the passage of time is recognized as a finance expense, and is recorded over the estimated time period until settlement of the obligation. Provisions are reviewed and adjusted, when required, to reflect the current best estimate at the end of each reporting period.

The Company recognizes decommissioning provisions in the period in which a legal or constructive obligation is incurred. A corresponding decommissioning cost is added to the carrying amount of the associated property, plant and equipment, and it is depreciated over the estimated useful life of the asset. Unwinding of the discount rate on the decommissioning provisions is recorded in net finance expense over the estimated useful lives of the assets.

2. Significant accounting policies, continued:

(t) Share-based payments:

The Company operates an equity-settled, share-based compensation plan where each stock option converts into one common share. The fair value of options granted for employee services is recognized over a three-year vesting period as a compensation expense within staff costs and employee benefits expense and credited to the employee benefits reserve. The employee benefits reserve is reduced as the options are exercised and the amount initially recorded as a credit in employee benefits reserve is reclassified to share capital. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

The Company determines the fair value of stock options using a binomial option pricing model at the date of grant. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds).

The Company has incorporated an estimated forfeiture rate for stock options that will not vest into its determination of share-based compensation for each period.

The Company also operates share-based compensation plans for certain senior employees under a Performance Share Unit (PSU) Plan and a Restricted Share Unit (RSU) Plan. Share-based compensation for directors operates under a directors' Deferred Share Unit (DSU) Plan. The fair values of the amounts payable to employees/directors in respect of the PSU Plan, RSU Plan and the DSU Plan, which are settled in cash, are recognized as expenses with corresponding increases in liabilities, over the period that the employees/directors unconditionally become entitled to payments. The PSU Plan and RSU Plan grant date fair values are determined using a binomial lattice valuation based on a five-day weighted average price of the Company's shares immediately prior to the grant, adjusted for estimated forfeitures and discounted using the risk-free interest rate. The DSU Plan grant date fair values are determined using the five-day weighted average price of the Company's shares immediately prior to the grant. The liability is re-measured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

(u) Earnings per share:

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated on the treasury stock method, by dividing income available to common shareholders, adjusted for the effects of dilutive securities, by the weighted average number of common shares outstanding during the period and all additional common shares that would have been outstanding had all potential dilutive common shares been issued.

3. Use of judgments and estimates:

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions.

3. Use of judgments and estimates, continued:

Critical judgments in applying accounting policies

The main judgments that were used in preparing the Company's consolidated financial statements relate to:

Financial assets

The Line Loss Rule (LLR) Proceeding (see note 34(c)) results in gross billings to Capital Power of which those amounts not attributable to Capital Power will then be recoverable from the appropriate parties. The determination of recoverability from the appropriate parties is based on management's judgment in evaluating the underlying facts and circumstances when determining the recoverability of the amounts invoiced and the timing of collections, including for those invoices subject to dispute.

Non-financial assets

The determination of CGUs was based on management's judgment and gives consideration to geographic proximity and shared risk exposure and risk management.

The Alberta CGU includes both Alberta Contracted and Alberta Commercial assets. The Alberta Contracted and Alberta Commercial assets are combined into one Alberta CGU for impairment testing purposes, due to the nature of the Alberta power market, how the asset fleet is managed as a portfolio and the interdependence of cash flows.

Identifying events or changes in circumstances that may indicate or cause an asset's carrying amount to exceed its recoverable amount requires judgment in assessing what events or circumstances would have such an impact.

Determining whether an arrangement contains a lease

The Company has exercised judgment in determining whether an arrangement contains a lease. This includes assessing whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration for each agreement that was evaluated.

As noted in note 2(h), the Company has exercised judgment in determining whether the control of its generation assets which are subject to a PPA are transferred to the contracted purchaser under the PPA, in determining whether a lease exists. Details of those PPAs are provided in note 17.

Consolidation of subsidiaries that are less than wholly owned

The Company has exercised judgment in determining that a subsidiary is controlled by the Company even though the subsidiary is less than wholly owned as described in note 32.

Classification of joint arrangements structured through a separate vehicle

The Company has exercised judgment in determining the classification of joint arrangements structured through separate vehicles as described in note 33.

Operating segments

As noted in note 36, the Company operates in one reportable business segment. The Company has aggregated its operating segments into one reportable business segment as its operating segments have similar products, production processes, types of customers, product distribution methods, regulatory environments and economic characteristics. Each operating segment is involved with the generation and sale of electricity, which includes the process of turning various fuel sources into electricity and managing the revenues and costs of such electricity, including engaging in trading activities. The Company's customers tend to be large industrial and commercial customers, independent system operators and government owned or sponsored entities. Given the similar size and credit profiles of these counterparties, they are deemed to be similar types of customers. The method of distributing electricity is the same across all facilities, and none of the Company's entities are rate-regulated.

Key sources of estimation uncertainty

The main sources of estimation uncertainty in preparing the Company's consolidated financial statements relate to:

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value represents the Company's estimate of the price that could be agreed on between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position, as well as those included within note disclosures, are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs. Precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs.

3. Use of judgments and estimates, continued:

The determination of fair value requires judgment and is based on market information where available and appropriate. The following levels were established for each input:

- Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical instruments. Assets or liabilities classified in Level 1 include highly liquid short-term investments, and traded commodities obtained from active exchanges such as the New York Mercantile Exchange whereby the Company can obtain quoted prices for identically traded commodities.
- Level 2: Fair value is based on inputs other than quoted prices included in Level 1, which are either directly or indirectly observable at the reporting date. Level 2 includes those assets or liabilities that are valued using commonly used valuation techniques, such as a discounted cash flow model or the Black-Scholes option pricing model. Valuation models use inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active but observable, and other observable inputs that are principally derived from or corroborated by observable market data for substantially the full term of the instrument.
- Level 3: Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 includes assets or liabilities that are also valued using commonly used valuation techniques described in Level 2. However, some inputs used in the models may not be based on observable market data, but rather are based on the Company's best estimate from the perspective of a market participant.

The fair value measurement of an asset or liability is included in only one of the three levels, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

Further information about the significant assumptions made in measuring certain fair values that are considered to be key sources of estimation uncertainty is included in the following notes:

- Note 4 – Business acquisitions;
- Note 5 – Genesee 3 and Keephills 3 swap transaction;
- Notes 14 and 29 – Financial instruments; and
- Note 24 – Provisions.

Depreciation and amortization

Depreciation and amortization allocate the cost of assets and their components over their estimated useful lives on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of the life characteristics of common assets. During 2020 and 2019, management assessed the major components of existing and acquired property, plant and equipment in the respective years (see notes 4 and 5) and estimated the useful lives of the respective components consistent with the Company's estimated useful lives for existing major components of similar generation facilities and equipment.

In December 2020, the Company announced its plan to repower Genesee 1 and 2 and be off coal in 2023. Accordingly, the Company prospectively adjusted the useful lives of its coal-fired assets from 2029 to 2023 to reflect the shortened useful lives and extended the useful lives of certain natural gas components by approximately 21 years.

Income taxes

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary tax differences. Deferred income tax assets are assessed to determine the likelihood that they will be realized from future taxable income. Details of tax losses expected to be utilized and the basis of utilization are provided in note 16.

4. Business acquisitions:

Acquisition of the Buckthorn Wind facility

On April 1, 2020, the Company acquired a 100% ownership interest in Buckthorn Wind, a 101 megawatt (MW) wind facility in Texas, from co-sellers John Laing Investments and Clearway Renew LLC, a subsidiary of Clearway Energy Group LLC. The purchase price consisted of (i) $84 million (US$60 million) in total cash consideration, including working capital and other closing adjustments, (ii) the assumption of tax-equity financing of $103 million (US$73 million) and (iii) contingent consideration valued at nil. Contingent consideration, to a maximum of US$8 million, would become payable in the future if certain market outcomes lead to Buckthorn Wind exceeding agreed upon thresholds. The Company considers the likelihood of contingent consideration payment to be low, resulting in no value being ascribed to the contingent consideration in the purchase price allocation. The acquisition has been accounted for as a business combination.

This acquisition supports the Company's growth strategy with long-term contracts strengthening the Company's contracted cash flow profile, while also expanding its renewables portfolio.

The allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows:

	April 1, 2020
Cash and cash equivalents	$ 5
Trade and other receivables	1
Derivative financial instrument assets[1]	48
Right-of-use assets	7
Property, plant and equipment	181
Trade and other payables	(2)
Loans and borrowings[1]	(103)
Lease liabilities[1]	(7)
Provisions	(6)
Deferred revenue and other liabilities[1]	(3)
Deferred tax liabilities	(37)
Fair value of net assets acquired	$ 84

[1] *Includes current portion. The balance consists of $4 million classified in Level 2 and $44 million in Level 3 of the fair value hierarchy.*

Buckthorn Wind has the following revenue swap arrangements (see note 29 for details on the fair value of these derivative financial instruments):

- Offtake swap: The offtake swap is a 20-year contract with an investment grade counterparty which covers 55% of the facility's output. Under this contract the Company will swap the market revenue and environmental attributes associated with the contract quantity for a fixed price per megawatt hour (MWh). There are 18 years remaining on this contract as of the acquisition date.
- Commodity swap: The commodity swap is a 13-year contract with an investment grade counterparty, with a fixed notional quantity equal to 45% of the long-term average forecasted annual production. Under this contract, the Company will swap the market revenue associated with the fixed notional quantity for a fixed price per MWh. There are 11 years remaining on this contract as of the acquisition date.

The tax-equity financing related to Buckthorn Wind represents the initial equity investment made by the project investor, adjusted for earnings, tax benefits and cash distributions paid to date. The maturity date of this obligation is subject to change and is driven by the dates on which the project investor reaches the agreed upon target rate of return (note 21).

The results of operations of Buckthorn Wind are included in the Company's consolidated statements of income and statements of changes in equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the consolidated statements of financial position. Since the acquisition date, the consolidated statements of income reflect losses of $2 million recorded in revenues (net of unrealized mark to market losses on derivative financial instruments), $9 million of other income and $8 million of net loss for the year ended December 31, 2020 related to Buckthorn Wind.

4. Business acquisitions, continued:

Had the acquisition occurred at January 1, 2020, the combined entity of the Company and Buckthorn Wind would have had a total of $1,784 million of revenues, $151 million of other income and $124 million of net income for the year ended December 31, 2020.

In conjunction with the acquisition of Buckthorn Wind, for the year ended December 31, 2020, the Company incurred $1 million in acquisition costs which have been recorded on the Company's consolidated statements of income as other administrative expenses.

Acquisition of the Goreway Power Station

On June 4, 2019, a subsidiary of the Company acquired all of the equity interests in Goreway Power Station Holdings Inc., which owns the Goreway Power Station (Goreway). Goreway is an 875 MW natural gas combined cycle generation facility located in Brampton, Ontario. The purchase price consisted of (i) $405 million of total cash consideration, including working capital and other closing adjustments of $18 million, and (ii) the assumption of $590 million of asset level debt.

The allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows:

	June 4, 2019
Cash and cash equivalents	$ 20
Trade and other receivables	22
Inventories	9
Property, plant and equipment	814
Intangible assets	498
Trade and other payables	(18)
Loans and borrowings	(590)
Derivative financial instrument liabilities[2]	(104)
Provisions	(40)
Deferred tax liabilities	(206)
Fair value of net assets acquired	$ 405

[2] *Interest rate swap agreements to hedge the interest on the assumed debt.*

Goreway has a 20-year Accelerated Clean Energy Supply Contract expiring in June 2029 with the Ontario Independent Electricity System Operator. Goreway is strategically located in the Greater Toronto Area load centre, making it an important asset in Ontario's electric system and, in combination with the Company's other Ontario natural gas assets, will provide operating and market synergies over time. The acquisition of Goreway supports the Company's growth strategy, fully meets the Company's investment criteria and contributes to the Company's dividend growth strategy through increased contracted cash flows through mid-2029.

The amount allocated to trade and other receivables for the acquisition represents both the estimated fair value and the gross contractual amounts receivable. As at December 31, 2019, all of the contractual cash flows pertaining to the acquired trade and other receivables have been collected.

The asset level debt assumed related to Goreway is a floating-rate bank facility based on prevailing market interest rates repayable quarterly with principal payments amortizing to 2029. The interest rate risk on this bank facility has been largely hedged through 2029 by interest rate swaps assumed as part of the acquisition covering 85% of the debt principal amount. The Company has elected to apply hedge accounting on these interest rate swaps. These swaps result in an effective fixed interest rate, on that portion of the assumed debt, of 7.4% (including a 1.4% stamping rate) per annum. The balance of the debt is subject to an interest rate based on the Canadian Dollar Offered Rate. The assumed bank facility was set to mature in September 2020 at which time the hedging instruments also had a mandatory settlement in September of 2020.

In January 2020, the Company extended both the credit facility and the hedging instruments to mature in January 2027 (see note 21). Subsequently, in March 2020, the Company entered into an interest rate swap to increase its hedged position to 100% of the debt principal amount resulting in an effective fixed interest rate on the assumed debt of 6.5% for the first four years (including a 1.2% stamping rate) and 6.6% for the latter three years (including a 1.4% stamping rate) per annum.

4. Business acquisitions, continued:

The results of operations of Goreway are included in the Company's consolidated statements of income and statements of changes in equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the consolidated statements of financial position. Since the acquisition date, $119 million of revenues and $1 million of net loss are included in the consolidated statement of income for the year ended December 31, 2019.

Had the acquisition occurred at January 1, 2019, the combined entity of the Company and the Goreway facility would have had a total of $1,806 million of revenues and $124 million of net income for the year ended December 31, 2019.

In conjunction with the acquisition of Goreway, for the year ended December 31, 2019, the Company incurred $2 million in acquisition costs which have been recorded on the Company's consolidated statements of income as other administrative expenses.

5. Genesee 3 and Keephills 3 swap transaction:

Genesee 3 (G3) and Keephills 3 (K3) are thermal units in Alberta with a net capacity of 466 MW and 463 MW, respectively. Prior to the swap transaction, both generating units were owned and operated under 50/50 Joint Venture Agreements between Capital Power and TransAlta Corporation (TransAlta).

In August 2019, the Company entered into an agreement to divest its 50% share of K3 to TransAlta, and to acquire TransAlta's 50% share of G3 for cash consideration, paid by Capital Power, of $10 million, subject to working capital and other closing adjustments. The consideration paid approximates the difference in fair value between the exchanged interests on the date of the transaction.

The transaction closed on October 1, 2019 at a pre-tax net loss of $249 million, with components of the net loss being recognized as disclosed in the table below.

		2019
Impairment of K3 net assets[1]	$	(401)
Accelerated recognition of coal compensation[2]		128
Gain on remeasurement of G3 net assets[3]		24
Total net loss on the transaction	$	(249)

[1] *K3 net assets were classified as assets held for sale prior to the transaction closing and an impairment was recorded.*

[2] *The Company is receiving coal compensation from the province of Alberta related to the phase out of coal-fired generation that was originally determined by reference to the carrying amount of these assets (see note 15). The coal compensation is being recognized over the life of the related coal-fired assets. The net reduction to the carrying amounts of the Company's coal-fired generation assets upon close of the transaction resulted in a one-time adjustment to accelerate the recognition of deferred government grant revenue that aligns with the reduction to the new lower carrying amount of coal-fired assets. The accelerated recognition of coal compensation is recognized in other income within the consolidated statements of income.*

[3] *The acquisition of the additional 50% of G3 was accounted for as a business combination and a gain was recognized on the Company's existing share of G3 as a result of the remeasurement of the carrying amount to its estimated fair value. This is recorded as a gain on acquisition transaction within the consolidated statements of income.*

Divestiture – Keephills 3

The Company tested the K3 disposal group for impairment during the third quarter of 2019, immediately prior to classifying those assets as held for sale, and in advance of the divestiture as described above. The carrying amount of the K3 disposal group was in excess of the estimated fair value of the proceeds to be received, resulting in a pre-tax impairment of $401 million within the Alberta CGU. The impairment was applied to the carrying amounts of the intangible assets and property, plant and equipment of the K3 disposal group.

For purposes of calculating the above impairment, the Company used the fair value less costs to sell of K3 as the recoverable amount of the assets. The fair value less costs to sell was established by the transaction agreement described above based on the fair value of G3, net of the $10 million payment made by the Company, less the Company's estimate of the directly attributable incremental costs related to the disposal. The determination of the G3 fair value is described below.

5. Genesee 3 and Keephills 3 swap transaction, continued:

The carrying amounts of the assets and liabilities of the K3 disposal group at the time of disposal, net of the impairment, were as follows:

	October 1, 2019
Trade and other receivables	$ 2
Inventories	8
Other assets	2
Property, plant and equipment	270
Intangible assets	34
Deferred revenue and other liabilities	(5)
Provisions	(15)
Carrying amount of net assets disposed	$ 296

Acquisition of additional 50% interest in Genesee 3

On October 1, 2019, the Company acquired an additional 50% interest in G3 increasing its total ownership to 100%. The purchase price consisted of (i) $10 million of total cash consideration, (ii) the exchange of Capital Power's 50% interest in K3 of $301 million as described above and (iii) nominal working capital and other closing adjustments. The allocation of the purchase price to the assets acquired and liabilities assumed on acquisition of the additional 50% share of G3 based on their estimated fair values is as follows:

	October 1, 2019
Cash and cash equivalents	$ 3
Trade and other receivables	1
Inventories	8
Property, plant and equipment	290
Intangible assets[4]	25
Provisions	(16)
Fair value of net assets acquired	$ 311

[4] *Intangible assets include $23 million relating to contract rights related to the acquired assets, for which capital contributions were previously made by TransAlta. Prior to the close of the transaction, those contributions were recorded within deferred revenue and other liabilities. Immediately following the close of the transaction, the acquired intangible assets and the previously recorded deferred revenue and other liabilities became offsetting intercompany balances and have been eliminated from the Company's statements of financial position.*

Measurement of fair values

The fair value measurement of the additional 50% share of G3 was categorized in Level 3 of the fair value hierarchy based on inputs used in the discounted cash flow model. The Company's cash flow projections incorporated estimates of annual plant revenues, expenses and capital expenditures to the, then expected, end of G3's useful life in 2039, which assumed a full conversion to natural gas.

These estimates reflected past experience and the Company's view at the measurement date of future generating capacity, fuel sources and fuel pricing. Consideration was given to externally available information related to future electricity and fuel pricing inputs when developing assumptions and such external information was used to validate the Company's view of future pricing assumptions. These external sources of information included information from third-party advisory and research firms serving the industry. Alberta power pricing and natural gas pricing assumptions used in the modelling above were classified in Level 3 of the fair value hierarchy. The table below presents ranges for the Level 3 inputs over the useful life of G3 as at the October 1, 2019 acquisition date:

Alberta power prices ($/MWh)	$57.80 to $85.30
Natural gas prices ($/GJ)	$1.53 to $4.02

6. Other income:

Year ended December 31		2020		2019
Contributions and grants	**$**	**6**	$	9
Government compensation (note 15)		**50**		181
Production tax credits		**61**		36
Other TEI tax attributes		**27**		21
Other		**2**		3
Other income	**$**	**146**	$	250

7. Expenses:

Year ended December 31		2020		2019
Included in energy purchases and fuel				
Recovery of flow-through expenses related to the Genesee 1 and 2 PPAs	**$**	**(108)**	$	(105)
Included in staff costs and employee benefits expense				
Share-based payments (note 28)		**9**		16
Post-employment defined contribution plan expense		**8**		8
Post-employment defined benefit plan expense		**3**		3
		20		27
Included in depreciation and amortization				
Depreciation of property, plant and equipment (note 19)		**383**		356
Amortization of intangible assets (note 18)		**81**		105
Depreciation of right-of-use assets (note 17)		**9**		8
Other		**5**		4
	$	**478**	$	473

8. Net finance expense:

Year ended December 31		2020		2019
Interest expense				
Interest on loans and borrowings	**$**	**165**	$	146
Capitalized interest		**(5)**		(13)
Total interest expense		**160**		133
Other finance expense				
Accretion on decommissioning provisions (note 24)		**5**		6
Interest on lease liabilities		**6**		5
Accretion on deferred government grant revenue		**17**		17
Interest on long-term government grant receivable		**(14)**		(15)
Other		**23**		10
Net finance expense	**$**	**197**	$	156

9. Income tax expense (recovery):

Year ended December 31		2020		2019
Current income tax				
Current income tax expense	**$**	**17**	$	55
Adjustments for prior periods		**1**		(1)
Total current income tax expense		**18**		54
Deferred income tax				
Origination and reversal of temporary differences		**64**		(6)
Change in statutory tax rate[1]		**–**		(51)
Recognition of previously unrecognized tax benefits		**(2)**		(3)
Change in write-downs of deferred tax assets		**2**		–
Total deferred income tax expense (recovery)		**64**		(60)
Income tax expense (recovery)	**$**	**82**	$	(6)

Reconciliation of effective income tax rate

Year ended December 31		2020		2019
Income before tax	**$**	**212**	$	113
Income tax at the statutory rate of 24% (2019 – 26.5%)[1]		**51**		30
Increase (decrease) resulting from:				
Amounts attributable to non-controlling interests and tax-equity interests		**20**		18
Change in unrecognized tax benefits		**2**		21
Non-taxable amounts		**(2)**		(5)
Adjustments for prior periods		**(2)**		1
Statutory and other rate differences[1]		**10**		(63)
Reversal of deferred tax expense related to temporary difference on investment in subsidiary		**–**		(11)
Other		**3**		3
Income tax expense (recovery)	**$**	**82**	$	(6)

[1] *On June 28, 2019, as a result of the Alberta Government's Bill 3 –* Job Creation Tax Cut Act, *the Alberta corporate income tax rate was reduced from 12% to 8% over four years. Accordingly, the 2019 statutory tax rate was 26.5%. Due to this tax rate decrease, the Canadian deferred tax assets and liabilities were re-measured, resulting in the recognition of a deferred income tax recovery of $51 million during the year ended December 31, 2019.*

On June 29, 2020, the Alberta Government accelerated the remaining tax rate reduction and decreased the Alberta corporate income tax rate to 8% effective July 1, 2020. As a result, the 2020 statutory tax rate is 24% and will further decrease to 23% in 2021 and onwards. Even though the Alberta corporate income tax rate decrease was accelerated, no further significant remeasurement of the Canadian deferred tax assets and liabilities was recognized.

10. Earnings per share:

The earnings and weighted average number of common shares used in the calculation of basic and diluted earnings per share are as follows:

Year ended December 31		**2020**		2019
Income for the period attributable to shareholders	**$**	**136**	$	125
Preferred share dividends[1]		**(54)**		(49)
Earnings available to common shareholders	**$**	**82**	$	76
Weighted average number of common shares		**105,302,806**		104,297,420
Basic earnings per share	**$**	**0.78**	$	0.73
Weighted average number of common shares		**105,302,806**		104,297,420
Effect of dilutive share purchase options		**550,568**		716,742
Diluted weighted average number of common shares		**105,853,374**		105,014,162
Diluted earnings per share	**$**	**0.77**	$	0.72

[1] *Includes preferred share dividends declared and related taxes.*

11. Cash and cash equivalents:

As at December 31		**2020**		2019
Cash on deposit	**$**	**67**	$	100
Cash equivalents		**300**		148
	$	**367**	$	248

As part of the Company's collateral requirements, cash and cash equivalents includes brokerage margin accounts held with specific exchange counterparties that fluctuate daily between negative and positive positions based on fair value changes of certain unsettled derivative financial instruments outstanding with the Company. At December 31, 2020, the brokerage margin is in a negative position of $6 million and has been recorded within trade and other payables (2019 – positive $16 million within cash and cash equivalents).

Included in the Company's cash and cash equivalents is its proportionate share of its rights to cash and cash equivalents, which are restricted to use within its joint operations and tax-equity interests of $24 million (2019 – $22 million).

12. Trade and other receivables:

As at December 31		**2020**		2019
Accrued revenues	**$**	**330**	$	199
Trade receivables		**50**		36
Net trade receivables[1]		**380**		235
Government grant receivable (note 15)		**54**		53
Income taxes recoverable		**29**		5
Prepayments		**36**		41
	$	**499**	$	334

[1] *As at December 31, 2020, includes $83 million related to the Line Loss Rule Proceeding as described in note 34(c). As at December 31, 2019, net amount pertaining to the Line Loss Rule Proceeding was recorded in other non-current provisions.*

Details of the aging of trade receivables and analysis of the movement on the allowance for doubtful accounts are provided in note 30.

13. Inventories:

As at December 31	2020	2019
Parts and other consumables	**$ 157**	$ 120
Emission credits	**50**	67
Coal	**13**	16
	$ 220	$ 203

Inventories expensed upon usage for the year ended December 31, 2020 of $156 million (2019 – $166 million) were charged to energy purchases and fuel, and other raw materials and operating charges. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Details of the valuation techniques used in determining the fair values are described in note 14. There were inventory write-downs of $1 million recognized in the year ended December 31, 2020 (2019 – $2 million). There were no reversals of previous write-downs recognized in the year ended December 31, 2020 (2019 – nil). As at December 31, 2020, no inventories were pledged as security for liabilities (2019 – nil).

14. Derivative financial instruments and hedge accounting:

Derivative instruments assets and liabilities are primarily used for risk management purposes as described in note 30 and consist of the following:

	December 31, 2020					
	Energy and emission allowances		Interest rate		Foreign exchange cash flow hedges	Total
	Cash flow hedges	Non-hedges	Cash flow hedges	Non-hedges		
Derivative instruments assets:						
Current	**$ 1**	**$ 65**	**$ 5**	**$ –**	**$ –**	**$ 71**
Non-current	**1**	**173**	**3**	**–**	**–**	**177**
Derivative instruments liabilities:						
Current	**(13)**	**(39)**	**(23)**	**(1)**	**(15)**	**(91)**
Non-current	**(18)**	**(120)**	**(74)**	**–**	**–**	**(212)**
Net fair value	**$ (29)**	**$ 79**	**$ (89)**	**$ (1)**	**$ (15)**	**$ (55)**
Net notional buys (sells) (millions):						
Megawatt hours of electricity	**(5)**	**(20)**				
Gigajoules of natural gas purchased[1]		**195**				
Gigajoules of natural gas basis swaps[1]		**197**				
Metric tonnes of emission allowances		**1**				
Number of renewable energy credits		**(6)**				
Interest rate swaps			**$ 1,001**	**$ 260**		
Interest rate swaps (U.S. dollars)			**$ 180**			
Forward currency buys (U.S. dollars)					**$ 94**	
Range of remaining contract terms in years	**0.1 to 4.0**	**0.1 to 17.0**	**0.5 to 6.1**	**0.9 to 1.7**	**0.3 to 1.0**	

[1] *The Company's natural gas trading strategy employs future purchase derivative instruments as well as basis swaps pertaining to certain of the future purchase derivative instruments, to manage its exposure to commodity price risk.*

14. Derivative financial instruments and hedge accounting, continued:

	December 31, 2019				
	Energy and emission allowances		Interest rate		
	Cash flow hedges	Non-hedges	Cash flow hedges	Non-hedges	Total
Derivative instruments assets:					
Current	$ 1	$ 43	$ –	$ 2	$ 46
Non-current	2	138	–	–	140
Derivative instruments liabilities:					
Current	(11)	(49)	(83)	–	(143)
Non-current	(13)	(94)	–	–	(107)
Net fair value	$ (21)	$ 38	$ (83)	$ 2	$ (64)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(7)	(14)			
Gigajoules of natural gas purchased[2]		181			
Gigajoules of natural gas basis swaps[2]		179			
Metric tonnes of emission allowances		4			
Number of renewable energy credits		(1)			
Interest rate swaps			$ 663	$ 200	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 13.0	0.8	0.9	

[2] *The Company's natural gas trading strategy employs future purchase derivative instruments as well as basis swaps pertaining to certain of the future purchase derivative instruments to manage its exposure to commodity price risk.*

Fair values of derivative instruments are determined, when possible, using exchange or over-the-counter price quotations by reference to quoted bid, ask or closing market prices dependent on which is most representative of fair value in the circumstances, in the principal market for that instrument. The extent to which fair values of derivative instruments are based on observable market data is determined by the extent to which the market for the underlying commodity is judged to be active. When traded markets are not considered to be sufficiently active or do not exist, the Company uses appropriate valuation and price modelling techniques commonly used by market participants to estimate fair value. The Company may also rely on price forecasts prepared by third-party market experts to estimate fair value when there are limited observable prices available. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates and maximize, when available, the use of external readily observable market data, including future prices, interest rate yield curves, foreign exchange rates, quoted Canadian dollar swap rates, counterparty credit risk, the Company's own credit risk and volatility. When a valuation technique utilizes unobservable market data, no inception gains or losses are recognized, until inputs become observable. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material. As at December 31, 2020 and 2019, the Company classified financial instruments under Level 2 and Level 3 of the fair value hierarchy described in note 3.

14. Derivative financial instruments and hedge accounting, continued:

Unrealized and realized pre-tax gains and losses on derivative instruments recognized in other comprehensive loss and net income were:

	2020		2019	
	Unrealized losses	**Realized gains (losses)**	Unrealized (losses) gains	Realized (losses) gains
Energy cash flow hedges	**$ (10)**	**$ 34**	$ (23)	$ (12)
Energy and emission allowances non-hedges	**(14)**	**46**	119	56
Interest rate cash flow hedges[3]	**(23)**	**(6)**	1	(2)
Interest rate non-hedges	**(3)**	**(5)**	2	–
Foreign exchange cash flow hedges	**(15)**	**–**	–	–
Foreign exchange non-hedges	**–**	**1**	(11)	8

[3] *Interest rate cash flow hedges of $450 million were settled in the year ended December 31, 2019 for a total loss of $18 million, which includes $17 million deferred within accumulated other comprehensive loss to be reclassified to net income in future periods within the associated net finance expense pertaining to the hedged note offering.*

Realized and unrealized gains and losses relate only to derivative financial instruments. The following realized and unrealized gains and losses are included in the Company's statements of income for the years ended December 31, 2020 and 2019:

	2020	2019
Revenues	**$ 38**	$ 71
Energy purchases and fuel	**28**	92
Foreign exchange gain (loss)	**1**	(3)
Net finance expense	**(14)**	–

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices, interest rate risk relating to future borrowings and foreign exchange risk relating to committed future capital investment in U.S. dollars. For the year ended December 31, 2020, the ineffective portion of hedging derivatives required to be recognized in the statement of income were nil. For the year ended December 31, 2019, $1 million of losses were realized within net finance expense pertaining to the ineffective portion of hedging derivatives. Net after tax gains and losses related to derivative instruments designated as energy and interest rate cash flow hedges are expected to settle and be reclassified to net income in the following periods:

As at December 31	**2020**
Within one year	**$ (17)**
Between one and five years	**(24)**
After five years	**(1)**
	$ (42)

15. Government compensation:

In 2016, the Company reached an agreement with the Government of Alberta (GoA) related to the 2030 phase-out of coal-fired generation. As compensation for the capital that the Company invested in coal generating assets that would be stranded effective December 31, 2030, the Company was to receive cash payments from the Province of $52 million annually for 14 years, commencing July 31, 2017, for a total of $734 million. This future compensation stream has been recognized as a government grant, recorded within deferred revenue and other liabilities and is being recognized into net income over the useful lives of the related coal-fired generation assets. Additionally, the compensation to be received has been recognized as a government grant receivable, which will be drawn down as cash payments are received.

The amount recorded within deferred revenue and other liabilities was originally being recognized into net income through 2030 and was subsequently updated to reflect the change in mandated phase-out of coal-fired generation by December 31, 2029. In December 2020, the Company announced plans to be off coal in 2023, which further shortened the useful lives of its coal-fired assets from 2029 to 2023 and adjusted the recognition of the government grant deferred revenue to align with the depreciation of the coal-fired assets. In the fourth quarter of 2019, the Genesee 3 and Keephills 3 swap transaction (note 5) resulted in a net reduction to the carrying amounts of the Company's coal-fired assets, which resulted in a one-time adjustment to accelerate the recognition of deferred government grant revenue that aligned with the reduction to the new lower carrying amount of coal-fired assets.

The GoA conducted an audit on the calculation of net book values driving the compensation payments and has withheld approximately $2.7 million from each of the payments from 2017 through 2020. The Company is disputing the withholding but has reduced the amounts recorded related to the compensation stream to reflect the uncertainty around the withheld portion of the payments. This has resulted in a reduction of $1.5 million to the government compensation amount recorded in other income for each of the corresponding years from 2017 through 2020. The respective deferred revenue and government grant receivable amounts were likewise adjusted to reflect total payments over the 14-year term of $712 million.

The conditions on the government grant include the Company agreeing to cease coal-fired emissions on or before December 31, 2030 and the Company continuing to participate in and make a minimum annual investment of $1 million in the Alberta electricity market, with a minimum total investment in the Alberta electricity market of $70 million by the end of 2030. This total required investment was exceeded during 2019 with the Company's investment in the first phase of Whitla Wind and the Company continues to invest in Alberta. Additional conditions include the Company supporting the local communities surrounding the coal facilities through 2030, and fulfilling its pension and other commitments to employees.

16. Deferred tax:

Movement of deferred tax balances

	As at January 1, 2020	Recognized in net income	Recognized directly in other comprehensive income	Amounts relating to acquisitions and disposals	Recognized directly in equity	As at December 31, 2020	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 51	$ 22	$ (1)	$ –	$ (5)	**$ 67**	$ 67	$ –
Property, plant and equipment	(645)	(34)	6	(26)	–	**(699)**	–	(699)
Intangible assets	(71)	7	(1)	–	–	**(65)**	42	(107)
Deferred partnership losses (income)	40	(75)	–	–	–	**(35)**	–	(35)
Derivative financial instruments	10	(2)	11	(13)	–	**6**	69	(63)
Share issue costs and deferred financing charges	4	–	–	–	(1)	**3**	3	–
Deferred revenue and other liabilities	119	(3)	(1)	–	–	**115**	115	–
Right-of-use assets	(21)	(5)	–	(2)	–	**(28)**	–	(28)
Government grant receivable	(112)	8	–	–	–	**(104)**	–	(104)
Other financial assets	(3)	1	(1)	–	–	**(3)**	–	(3)
Decommissioning provisions	83	17	(1)	2	–	**101**	101	–
Goodwill	8	–	–	–	–	**8**	8	–
Prepaid reclamation amounts	(15)	–	–	–	–	**(15)**	–	(15)
Other provisions	20	(6)	1	–	–	**15**	15	–
Loans and borrowings	11	(2)	–	–	–	**9**	9	–
Other assets	6	–	–	–	–	**6**	6	–
Trade and other receivables	1	(1)	–	–	–	**–**	–	–
Lease liabilities	26	9	–	2	–	**37**	37	–
Deferred tax (liabilities) assets	$ (488)	$ (64)	$ 13	$ (37)	$ (6)	**$ (582)**	$ 472	$ (1,054)
Set-off of tax						**–**	(453)	453
Net deferred tax (liabilities) assets						**$ (582)**	$ 19	$ (601)

16. Deferred tax, continued:

	As at January 1, 2019	Recognized in net income	Recognized directly in other comprehensive income	Amounts relating to acquisitions and disposals	Recognized directly in equity	Reclassified from equity to net income	As at December 31, 2019	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 79	$ (26)	$ (2)	$ –	$ 18	$ (18)	$ 51	$ 51	$ –
Property, plant and equipment	(573)	41	4	(117)	–	–	(645)	–	(645)
Intangible assets	38	16	–	(125)	–	–	(71)	55	(126)
Deferred partnership (income) losses	(9)	49	–	–	–	–	40	40	–
Derivative financial instruments	10	(31)	5	26	–	–	10	68	(58)
Share issue costs and deferred financing charges	3	–	–	–	1	–	4	4	–
Deferred revenue and other liabilities	190	(70)	(1)	–	–	–	119	119	–
Right-of-use assets	(22)	1	–	–	–	–	(21)	–	(21)
Government grant receivable	(138)	26	–	–	–	–	(112)	–	(112)
Other financial assets	(16)	13	–	–	–	–	(3)	–	(3)
Decommissioning provisions	69	5	(1)	10	–	–	83	83	–
Goodwill	9	(1)	–	–	–	–	8	8	–
Prepaid reclamation amounts	(18)	3	–	–	–	–	(15)	–	(15)
Other provisions	20	(1)	1	–	–	–	20	20	–
Loans and borrowings	17	(6)	–	–	–	–	11	11	–
Other assets	7	(1)	–	–	–	–	6	6	–
Trade and other receivables	2	(1)	–	–	–	–	1	1	–
Trade and other payables	(1)	1	–	–	–	–	–	–	–
Lease liabilities	25	1	–	–	–	–	26	26	–
Arising from disposal of joint venture	(41)	41	–	–	–	–	–	–	–
Deferred tax (liabilities) assets	$ (349)	$ 60	$ 6	$ (206)	$ 19	$ (18)	$ (488)	$ 492	$ (980)
Set-off of tax							–	(468)	468
Net deferred tax (liabilities) assets							$ (488)	$ 24	$ (512)

Unrecognized deferred tax assets

Deferred tax assets have not been recognized on the following items:

As at December 31	**2020**	2019
Non-capital losses	**$ 148**	$ 57
Deductible temporary differences with no expiry	**109**	187
	$ 257	$ 244

Tax losses carried forward

	2020		2019	
	Tax losses	**Expiry dates**	Tax losses	Expiry dates
Unrecognized tax losses carried forward	**$ 148**	**2028–2040**	$ 57	2028–2039

As at December 31, 2020, the Company has non-capital losses carried forward of $445 million (2019 – $283 million), of which $220 million (US$172 million) (2019 – $245 million (US$189 million)) relates to U.S. subsidiaries.

17. Leases:

Lessee

Right-of-use assets

		Land		Offices		Equipment		Total
As at January 1, 2019	$	37	$	28	$	34	$	99
Additions		4		–		–		4
Depreciation		(2)		(3)		(3)		(8)
As at December 31, 2019	$	39	$	25	$	31	$	95
Additions		46		2		–		48
Depreciation		(3)		(3)		(3)		(9)
Foreign currency translation adjustments		(5)		–		–		(5)
As at December 31, 2020	**$**	**77**	**$**	**24**	**$**	**28**	**$**	**129**

Lease liabilities

The following table presents amounts recognized in the consolidated statements of income:

Year ended December 31,		**2020**		2019
Income from rental and sub-leasing	**$**	**1**	$	1
Interest on lease liabilities		**(6)**		(5)
Variable lease payments not included in the measurement of lease liabilities		**(7)**		(5)

As at December 31, 2020, expenses related to short-term and low-value leases was nil (2019 – nil).

Lessor – Facilities under operating leases

The Island Generation, Decatur Energy and Arlington Valley power generation facilities are accounted for as assets under operating leases. The Genesee 1 and 2 PPAs are accounted for as assets under operating leases through to the end of the PPAs on December 31, 2020.

As at December 31, 2020, the cost of such property, plant and equipment, including Genesee 1 and 2, was $2,065 million (December 31, 2019 – $2,030 million), less accumulated depreciation of $612 million (December 31, 2019 – $513 million).

The minimum future rental payments to be received on these PPAs are:

As at December 31		**2020**
2021	**$**	**129**
2022		**124**
2023		**111**
2024		**110**
2025		**110**
Thereafter		**405**
Total	**$**	**989**

18. Intangible assets and goodwill:

	Intangible work in progress	PPAs	Contract rights	Other rights	Emission credits	Software	Goodwill	Total
Cost								
As at January 1, 2019	$ 57	$ 164	$ 50	$ 206	$ 47	$ 55	$ 35	$ 614
Additions	12	–	–	2	12	–	–	26
Additions from business acquisitions (note 4)	–	498	–	–	–	–	–	498
Additions into service	(32)	–	–	28	–	4	–	–
Retirements and other disposals	(8)	(52)	–	–	(25)	(5)	–	(90)
Impairment (note 5)	–	–	–	(47)	–	–	–	(47)
G3 and K3 swap transaction (note 5)	(4)	–	–	(52)	–	(1)	–	(57)
Transfers within intangible assets	–	–	11	(11)	–	–	–	–
Transfers to property, plant & equipment	(3)	–	–	–	–	–	–	(3)
Transfers to held for sale emission credits inventories	–	–	–	–	(9)	–	–	(9)
Foreign currency translation adjustments	(1)	(6)	(1)	(2)	–	–	–	(10)
As at December 31, 2019	$ 21	$ 604	$ 60	$ 124	$ 25	$ 53	$ 35	$ 922
Additions	20	–	–	2	35	–	–	57
Additions into service	(20)	–	7	10	–	3	–	–
Retirements and other disposals	(1)	(3)	–	–	(6)	–	–	(10)
Transfers from held for sale emission credits inventories	–	–	–	–	13	–	–	13
Foreign currency translation adjustments	–	(2)	(1)	1	–	–	–	(2)
As at December 31, 2020	**$ 20**	**$ 599**	**$ 66**	**$ 137**	**$ 67**	**$ 56**	**$ 35**	**$ 980**
Accumulated amortization								
As at January 1, 2019	$ –	$ (21)	$ (14)	$ (34)	$ –	$ (37)	$ –	$ (106)
Amortization (note 7)	–	(91)	(2)	(8)	–	(4)	–	(105)
Retirement and other disposals	–	52	–	–	–	5	–	57
G3 and K3 swap transaction (note 5)	–	–	–	24	–	1	–	25
Foreign currency translation adjustments	–	2	–	–	–	–	–	2
As at December 31, 2019	$ –	$ (58)	$ (16)	$ (18)	$ –	$ (35)	$ –	$ (127)
Amortization (note 7)	–	(69)	(3)	(4)	–	(5)	–	(81)
Foreign currency translation adjustments	–	1	–	–	–	–	–	1
As at December 31, 2020	**$ –**	**$ (126)**	**$ (19)**	**$ (22)**	**$ –**	**$ (40)**	**$ –**	**$ (207)**
Net book value								
As at January 1, 2019	$ 57	$ 143	$ 36	$ 172	$ 47	$ 18	$ 35	$ 508
As at December 31, 2019	$ 21	$ 546	$ 44	$ 106	$ 25	$ 18	$ 35	$ 795
As at December 31, 2020	**$ 20**	**$ 473**	**$ 47**	**$ 115**	**$ 67**	**$ 16**	**$ 35**	**$ 773**

Contract rights include acquired management and operations agreements and a 20-year agreement whereby the Company will sell RECs produced by the Halkirk Wind project to a third party.

Other rights include the cost of land lease agreements for use in wind and solar power projects, as well as coal supply access rights relating to the Keephills 3 Project (until close of the G3 and K3 swap transaction (note 5)) and pipeline access rights relating to Arlington Valley.

Impairment

No impairments were recognized during the year ended December 31, 2020 (2019 – $47 million). No previous impairments of intangible assets were reversed during the year ended December 31, 2020 (2019 – nil).

As part of the Company's annual impairment testing, the East Windsor CGU, which contains all of the Company's goodwill, was tested for impairment and the carrying amount of the East Windsor CGU was less than its estimated recoverable amount for both the 2020 and 2019 annual impairment tests. As such, no impairments were required for the East Windsor CGU.

Capitalized borrowing costs

Borrowing costs were not capitalized on intangible assets during the years ended December 31, 2020 or 2019.

Restrictions on assets

There are no charges over the Company's intangible assets.

19. Property, plant and equipment:

	Construction work in progress	Land	Plant and equipment	Total
Cost				
As at January 1, 2019	$ 136	$ 125	$ 6,727	$ 6,988
Additions	622	–	36	658
Additions into service	(403)	–	403	–
G3 and K3 swap transaction (note 5)	(2)	–	(150)	(152)
Retirements and other disposals	(5)	–	(103)	(108)
Business acquisitions (note 4)	13	26	775	814
Impairment (note 5)	–	–	(354)	(354)
Transfers to right-of-use assets	–	–	(21)	(21)
Other transfers	(3)	–	1	(2)
Revisions to decommissioning costs (note 24)	–	–	24	24
Foreign currency translation adjustments	(8)	–	(76)	(84)
As at December 31, 2019	$ 350	$ 151	$ 7,262	$ 7,763
Additions	236	–	16	252
Additions into service	(394)	–	394	–
Retirements and other disposals	(5)	(1)	(9)	(15)
Business acquisition (note 4)	–	–	181	181
Impairments	(26)	–	–	(26)
Revisions to decommissioning costs (note 24)	–	–	42	42
Foreign currency translation adjustments	7	–	(67)	(60)
As at December 31, 2020	**$ 168**	**$ 150**	**$ 7,819**	**$ 8,137**
Accumulated depreciation				
At January 1, 2019	$ –	$ –	$ (1,632)	$ (1,632)
Depreciation (note 7)	–	–	(356)	(356)
G3 and K3 swap transaction (note 5)	–	–	194	194
Retirements and other disposals	–	–	101	101
Transfers to right-of-use assets	–	–	7	7
Foreign currency translation adjustments	–	–	12	12
As at December 31, 2019	$ –	$ –	$ (1,674)	$ (1,674)
Depreciation (note 7)	–	–	(383)	(383)
Retirements and other disposals	–	–	9	9
Foreign currency translation adjustments	–	–	9	9
As at December 31, 2020	**$ –**	**$ –**	**$ (2,039)**	**$ (2,039)**
Net book value				
As at January 1, 2019	$ 136	$ 125	$ 5,095	$ 5,356
As at December 31, 2019	$ 350	$ 151	$ 5,588	$ 6,089
As at December 31, 2020	**$ 168**	**$ 150**	**$ 5,780**	**$ 6,098**

19. Property, plant and equipment, continued:

Impairments

During the year ended December 31, 2020, the Company recognized $26 million of impairments on property, plant and equipment which pertain to the following capital projects:

- Genesee 1 and 2 dual-fuel project: In December 2020, the Company announced that, subject to successful permitting and regulatory approvals, it is proceeding with the repowering of Genesee 1 and 2 as described in note 34(a). As a result of this announcement, the Company will no longer pursue the Genesee 1 and 2 dual-fuel project. Accordingly, the Company recorded an impairment of $13 million of construction work in progress related to the termination of this project.
- Genesee 4 and 5 project: During the first quarter of 2020, the Company and its partner on the Genesee 4 and 5 project determined that they would no longer be pursuing the project. As a result, the Company determined that $13 million of capital expenditures incurred by the Company was purely related to the development of Genesee 4 and 5 and recorded an impairment of $13 million in the first quarter of 2020. Arbitration has commenced between the Company and its partner around the costs of exiting the series of agreements previously entered into.

During the year ended December 31, 2019, $354 million of impairment on property, plant and equipment was recognized (see note 5). No reversals of impairments on property, plant and equipment were recognized during the year ended December 31, 2020 (2019 – nil).

Impairment testing was also completed on the Alberta CGU during 2020 as a result of the prolonged nature of COVID-19 and oil pricing impacts, and the carrying amount of the Alberta CGU was less than its estimated recoverable amount. As such, no impairments were required for the Alberta CGU. There were no other indicators to test non-financial assets for impairment during 2020 and 2019.

Capitalized borrowing costs

Details of borrowing costs capitalized as part of property, plant and equipment are provided in note 8. The average borrowing rate used to capitalize interest during the year was 4.25% (2019 – 4.57%) for projects financed using general borrowings. For the years ended December 31, 2020 and 2019, there were no projects financed using specific borrowings that were included as part of property, plant and equipment.

Restrictions on assets

Details of charges over land, plant and equipment are provided in note 21.

20. Trade and other payables:

As at December 31		**2020**		2019
Operating accruals[1]	**$**	**308**	$	137
Trade payables[1]		**78**		63
Dividends payable		**54**		50
Accrued interest		**23**		19
Taxes payable		**7**		32
	$	**470**	$	301

[1] *As at December 31, 2020, includes $92 million related to the Line Loss Rule Proceeding as described in note 34(c). As at December 31, 2019, net amount pertaining to the Line Loss Rule Proceeding was recorded in other non-current provisions.*

21. Loans and borrowings:

	Effective interest rate	**December 31, 2020**	December 31, 2019
Unsecured senior medium-term notes, payable semi-annually			
Issued by CPC, at 5.28% due in 2020	5.34%	**–**	251
Issued by CPC, at 4.28% due in 2024	4.37%	**450**	450
Issued by CPC, at 4.99% due in 2026	5.07%	**300**	300
Issued by CPC, at 4.42% due in 2030	4.49%	**275**	275
Issued by CPC, at 3.15% due in 2032	3.21%	**350**	–
		1,375	1,276
CPC private placement, payable semi-annually			
Issued by CPC, at 3.85% due in 2026	3.85%	**160**	160
Issued by CPC, at 4.56% due in 2029	4.64%	**210**	210
Issued by CPC, at 4.72% due in 2031	4.79%	**65**	65
Issued by CPC, at 4.96% due in 2034	5.02%	**50**	50
		485	485
CPLP unsecured senior notes, payable semi-annually			
US$230, at 5.21% due in 2021	5.29%	**293**	299
US$65, at 5.61% due in 2026	5.67%	**83**	84
		376	383
CPLP non-recourse financing, payable quarterly			
Goreway Power Station, $564 at floating rates, due in 2027[1]	1.75%	**524**	563
East Windsor Cogeneration Project, at 6.28%, due in 2029	6.23%	**117**	128
Macho Springs, US$50 at 6.90%, due in 2031	7.00%	**48**	52
		689	743
Tax-equity financing, payable quarterly[2]			
Bloom Wind, US$87		**111**	130
New Frontier Wind, US$63		**80**	102
Cardinal Point Wind, US$145		**184**	–
Buckthorn Wind, US$69		**88**	–
Committed credit facilities			
CPLP US$151, at floating rates, due in 2024[3]	2.20%	**193**	319
		656	551
Total debt payable		**3,581**	3,438
Less: current portion		**417**	857
		3,164	2,581
Less: deferred debt issue costs		**29**	25
		$ 3,135	$ 2,556

[1] *In the first quarter of 2020, $564 at floating rate was extended to mature in 2027. As at December 31, 2019, $590 at floating rate due in 2020 had an effective rate of 3.48%.*

[2] *Effective interest rates on tax-equity financing reflect the internal rates of return on the respective tax-equity investments ranging from 6.50% to 8.95%.*

[3] *As at December 31, 2019, CPLP US$246, at floating rates, due in 2024 with an effective interest rate of 3.46%.*

21. Loans and borrowings, continued:

Medium-term notes

On October 1, 2020, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $350 million (the Offering). The notes have a coupon rate of 3.147% and mature on October 1, 2032. The net proceeds of the Offering have been and will be used to repay, redeem or refinance existing indebtedness, including indebtedness under outstanding debt securities or credit facilities, or for general corporate purposes. Included in such repayments was the redemption, on October 9, 2020, of all of the Company's outstanding 5.276% medium-term notes, due November 16, 2020, in the aggregate principal amount of $251 million. The redemption price was an aggregate amount of $258 million, including applicable early redemption premiums, as well as accrued and unpaid interest to and including the day immediately preceding the redemption date.

On November 8, 2019, the Company issued $275 million of unsecured medium-term notes due in 2030 with interest payable semi-annually at 4.424% commencing on August 8, 2020.

On January 23, 2019, the Company issued $300 million of unsecured medium-term notes due in 2026 with interest payable semi-annually at 4.986% commencing on July 23, 2019.

$325 million private placement debt financing

On June 12, 2019, the Company completed a $325 million private placement of senior notes consisting of three tranches with 10-, 12- and 15-year terms. The 10-year tranche has a principal amount of $210 million that matures in June 2029 with a coupon rate of 4.56%. The 12-year tranche has a $65 million principal amount and matures in June 2031 with a coupon rate of 4.72%. The 15-year tranche has a $50 million principal amount and matures in June 2034 with a coupon rate of 4.96%.

Non-recourse financing

East Windsor Cogeneration project financing represents Series 1 Senior bonds issued by the Company. The debt is secured by a charge against project assets which have a carrying amount of $139 million.

Macho Springs financing represents loans for the project. The debt is secured by a charge against project assets which have a carrying amount of $68 million.

Goreway financing represents the asset level debt assumed in the acquisition (note 4). The debt is secured by a charge against the assets of the facility which have a carrying amount of $516 million.

Tax-equity financing

Tax-equity financing represents the initial equity investments made by the project investors, on the respective projects, adjusted for earnings, tax benefits and cash distributions paid to date. The maturity dates of these obligations are subject to change and are driven by the dates on which the project investors reach the agreed upon target rates of return on the respective projects.

On March 16, 2020, Capital Power's Cardinal Point Wind project began commercial operations. Subsequently, the Company received approximately $221 million (US$157 million) in tax-equity financing on March 26, 2020, net of issue costs of $3 million (US$2 million) associated with the financing, from two U.S. financial institutions in exchange for Class A interests of a subsidiary of the Company.

Committed credit facilities

Unsecured credit facilities include a $700 million syndicated credit facility and an unsecured club credit facility of $300 million committed to July 9, 2024. As at December 31, 2020, the Company had U.S. loans of $193 million (US$151 million) (2019 – $319 million (US$246 million)) and letters of credit of $9 million (2019 – $50 million) outstanding under these facilities as described in note 35.

Bilateral unsecured demand credit facilities are available to CPC and include $427 million for the issuance of letters of credit and a further $20 million general facility. Letters of credit of $259 million (2019 – $189 million) have been issued as described in note 35.

The Company has a bilateral unsecured $5 million demand facility available which is undrawn at December 31, 2020 (2019 – $5 million).

21. Loans and borrowings, continued:

Under the terms of the unsecured credit facilities, the Company's subsidiaries may obtain advances by way of Canadian or U.S. prime loans, U.S. base rate loans, U.S. LIBOR loans and bankers' acceptances. Amounts drawn by way of prime or base rate loans each bear interest at the prevailing Canadian Prime, U.S. Prime or U.S. base rate, respectively, plus a spread ranging from nil to 1.25%, depending on the Company's credit rating. Amounts drawn by way of U.S. LIBOR loans or bankers' acceptances bear interest at the prevailing LIBOR rate or applicable bankers' acceptance rate plus a spread ranging from 1.00% to 2.25%, depending on the Company's credit rating.

22. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2020	2019
Loans and borrowings[1]		
As at January 1	**$ 3,413**	$ 2,647
Changes from financing cash flows:		
Proceeds from issue of loans and borrowings[2]	**578**	900
Repayments	**(444)**	(633)
Deferred debt issue costs	**(9)**	(7)
Total changes from financing cash flows	**125**	260
Additions through business acquisitions (note 4)	**103**	590
Effect of changes in foreign exchange rates	**(35)**	(49)
Non-cash repayments on tax-equity financing	**(88)**	(57)
Implicit interest on tax-equity financing	**32**	20
Other non-cash items	**2**	2
Total other changes	**14**	506
As at December 31	**$ 3,552**	$ 3,413

[1] *Includes deferred debt issue costs.*

[2] *Includes medium-term note issuances and tax-equity financing for the year ended December 31, 2020 (2019 – includes the medium-term note issuances and private placement debt financing).*

	2020	2019
Lease liabilities[3]		
As at January 1	**$ 111**	$ 18
Changes from financing cash flows:		
Repayments	**(6)**	(7)
Total changes from financing cash flows	**(6)**	(7)
IFRS 16 transition	**–**	96
Additions	**42**	4
Additions through business acquisition (note 4)	**7**	
Effects of changes in foreign exchange rates	**(5)**	–
Total other changes	**44**	100
As at December 31	**$ 149**	$ 111

[3] *Includes the current portion disclosed within current deferred revenue and other liabilities.*

23. Deferred revenue and other liabilities:

As at December 31		2020		2019
Deferred government grant revenue (note 15)	**$**	**309**	$	341
Contract liabilities[1]		**48**		47
Other deferred revenue and liabilities		**55**		55
		412		443
Less current portions:				
Deferred government grant revenue		**117**		42
Lease liabilities		**6**		6
Contract liabilities[1]		**4**		4
Other deferred revenue and liabilities		**8**		8
Total current deferred revenue and other liabilities		**135**		60
	$	**277**	$	383

[1] *As at December 31, 2020, $21 million (2019 – $28 million) was recognized as revenues in relation to outstanding contract liabilities settled during the year.*

24. Provisions:

As at December 31		2020		2019
Decommissioning	**$**	**414**	$	356
Employee benefits[1]		**86**		85
Other[2]		**1**		16
		501		457
Less: current portion		**37**		41
	$	**464**	$	416

[1] *Included in the employee benefits provision is $21 million pertaining to the share-based payment obligations described in note 28, of which $21 million is vested at December 31, 2020 (2019 – $24 million total share-based payment obligation, $24 million vested).*

[2] *Included in other non-current provisions as at December 31, 2019 was $15 million pertaining to the Line Loss Rule Proceeding as described in note 34(c) which is recorded on a gross basis within trade and other receivables and trade and other payables at December 31, 2020.*

24. Provisions, continued:

		Decommissioning		Employee benefits		Other		Total
As at January 1, 2019	$	259	$	74	$	12	$	345
Additional liabilities incurred[3]		36		43		6		85
Liabilities assumed in business acquisitions (note 4)		40		–		–		40
G3 and K3 swap transaction (note 5)		1		–		–		1
Liabilities settled		(3)		(32)		–		(35)
Amounts reversed unused		(3)		–		(2)		(5)
Foreign currency translation adjustments		(4)		–		–		(4)
Revisions to decommissioning costs (note 19)		24		–		–		24
Accretion (note 8)		6		–		–		6
As at December 31, 2019	$	356	$	85	$	16	$	457
Additional liabilities incurred[3]		13		35		3		51
Liabilities assumed in business combination (note 4)		6		–		–		6
Transfers to trade and other receivables and trade and other payables (note 34(c))		–		–		(18)		(18)
Liabilities settled		(3)		(34)		–		(37)
Amounts reversed unused		(1)		–		–		(1)
Foreign currency translation adjustments		(4)		–		–		(4)
Revisions to decommissioning costs (note 19)		42		–		–		42
Accretion (note 8)		5		–		–		5
As at December 31, 2020	**$**	**414**	**$**	**86**	**$**	**1**	**$**	**501**

[3] *Included in other additional liabilities incurred during the year ended December 31, 2020 is $3 million (2019 – $6 million) pertaining to the Line Loss Rule Proceeding as described in note 34(c). An additional liability of $2 million was incurred after the transfer to trade and other receivables and trade and other payables.*

Decommissioning provisions

The Company has recorded decommissioning provisions for its power generation facilities and the Genesee coal mine (the Genesee Mine) as it is obliged to remove the facilities at the end of their useful lives and restore the power facilities and mine sites to their original condition. Decommissioning provisions for the Genesee Mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation.

At December 31, 2020, the Company's estimate of the undiscounted cash flow required to settle its decommissioning obligations is approximately $561 million (2019 – $490 million), calculated using an inflation rate of 2% (2019 – 2%). The expected timing for settlement of the obligations is between 2021 and 2055, which reflects ongoing reclamation of areas of the Genesee Mine, the Company's plan to repower Genesee 1 and 2 to be off coal in 2023, decommissioning of the Southport and Roxboro facilities in 2022 and the anticipated useful lives of the different power generation facilities.

Other than the 2022 decommissioning of the Southport and Roxboro facilities, the majority of the payments to settle the obligations are expected to occur between 2031 and 2050 for the power generation facilities and between 2021 and 2026 for the mined, but unreclaimed sections of the Genesee Mine. Discount rates used to calculate the carrying amount of the obligations range from 0.26% to 1.65%. The actual timing and costs to settle decommissioning obligations may vary from estimates as a result of changes to contractor rates required to perform the decommissioning.

No assets have been legally restricted for settlement of these liabilities.

25. Share capital:

Authorized shares

	Number of shares authorized
Common shares	unlimited
Unlimited preference shares, issuable in series:	
Series 1 and 2	5 million
Series 3 and 4	6 million
Series 5 and 6	8 million
Series 7 and 8	8 million
Series 9 and 10	6 million
Series 11 and 12	6 million
Special limited voting share	one

Issued and fully paid shares

	Common shares		Preference shares	
	Number of shares	Amount	Number of shares	Amount
As at January 1, 2019	101,872,618	$ 2,393	33,000,000	$ 807
Shares issued	4,945,000	150	6,000,000	150
Share issue costs	–	(7)	–	(5)
Deferred taxes on share issue costs (note 16)	–	1	–	1
Share purchase options exercised (note 28)	1,029,332	25	–	–
Common shares purchased[1]	(2,465,164)	(74)	–	–
As at December 31, 2019	105,381,786	$ 2,488	39,000,000	$ 953
Share purchase options exercised (note 28)	749,155	19	–	–
Common shares purchased[1]	(461,832)	(10)	–	–
Dividend reinvestment plan[2]	511,881	15	–	–
As at December 31, 2020	**106,180,990**	**$ 2,512**	**39,000,000**	**$ 953**

[1] *Common shares were purchased and cancelled at an average exercise price of $22.67 per share for the year ended December 31, 2020 (year ended December 31, 2019 – $29.85 per share) under the Company's Toronto Stock Exchange approved normal course issuer bid.*

[2] *Effective for the September 30, 2020 dividend, the Company reinstated its dividend reinvestment plan for its common shares. The dividend reinvestment plan was previously suspended on June 30, 2015.*

On May 8, 2019, the Company completed a public offering of 4,945,000 subscription receipts (Subscription Receipts), on a bought deal basis, at an issue price of $30.30 per Subscription Receipt, for total gross proceeds of $150 million less issue costs of $7 million (inclusive of the full exercise of a 645,000 over-allotment option). On June 4, 2019, upon closing of the Goreway acquisition, each Subscription Receipt was converted for one common share of the Company.

On May 16, 2019, the Company issued 6 million Cumulative Minimum Rate Reset Preference Shares, Series 11 (Series 11 Shares) at a price of $25.00 per share for gross proceeds of $150 million less issue costs of $5 million. The Series 11 Shares are redeemable by Capital Power, at its option on June 30, 2024 and every five years thereafter at a value of $25.00 per share.

The Company's shares are subject to a Shareholder Rights Plan (Rights Plan). The objective of the Rights Plan is to ensure, to the extent possible, the fair treatment of all shareholders in connection with any take-over bid for the securities of the Company, and to provide the Board with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize shareholder value. The Rights Plan will continue in force until the end of the annual meeting of shareholders in 2022, at which time the Company expects to extend the Rights Plan for an additional three years, subject to Board of Directors and shareholder approval and subject to any changes in applicable securities law requirements.

25. Share capital, continued:

Cumulative rate reset preference shares

Preferred shares	Dividend per share per annum[3]	Dividend rate reset	Redemption terms	Conversion terms[4]
Series 1	$0.765	Dividend rate was reset from $0.765 per annum to $0.655 per annum effective December 31, 2020 for the March 31, 2021 dividend payment and will be reset every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 2.17%.	Series 1 shares are redeemable by Capital Power, at its option, on December 31, 2025 and on December 31 of every fifth year thereafter.	Right to convert all or any part of shares into Cumulative Floating Rate Preference Shares, Series 2 (Series 2 Shares), subject to certain conditions, on December 31, 2025 and every five years thereafter.
Series 3	$1.363	Dividend rate was reset from $1.150 per annum to $1.363 per annum effective December 31, 2018 for the March 31, 2019 dividend payment and will be reset every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.23%.	Series 3 shares are redeemable by Capital Power, at its option, on December 31, 2023 and on December 31 of every fifth year thereafter.	Right to convert all or any part of their shares into Cumulative Floating Rate Preference Shares, Series 4 (Series 4 Shares), subject to certain conditions, on December 31, 2023 and every five years thereafter.
Series 5	$1.310	Dividend rate was reset from $1.125 per annum to $1.310 per annum effective June 30, 2018 for the September 30, 2018 dividend payment and will be reset every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.15%.	Series 5 shares are redeemable by Capital Power, at its option, on June 30, 2023 and on June 30 of every fifth year thereafter.	Right to convert all or any part of their shares into Cumulative Floating Rate Preference Shares, Series 6 (Series 6 Shares) subject to certain conditions, on June 30, 2023 and every five years thereafter.
Series 7	$1.500	Dividend rate will be reset on December 31, 2021 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 5.26%, provided that, in any event, such rate shall not be less than 6.00%.	Series 7 Shares are redeemable by Capital Power, at its option, on December 31, 2021 and December 31 of every fifth year thereafter.	Right to convert all or any part of their shares into Cumulative Minimum Floating Rate Preference Shares, Series 8 (Series 8 Shares), subject to certain conditions, on December 31, 2021 and every five years thereafter.
Series 9	$1.438	Dividend rate will be reset on September 30, 2022 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.12%, provided that, in any event, such rate shall not be less than 5.75%.	Series 9 Shares are redeemable by Capital Power, at its option, on September 30, 2022 and on September 30 of every fifth year thereafter.	Right to convert all or any part of their shares into Cumulative Minimum Floating Rate Preference Shares, Series 10 (Series 10 Shares), subject to certain conditions, on September 30, 2022 and every five years thereafter.
Series 11	$1.438	Dividend rate will be reset on June 30, 2024 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 4.15%, provided that, in any event, such rate shall not be less than 5.75%.	Series 11 Shares are redeemable by Capital Power, at its option, on June 30, 2024 and on June 30 of every fifth year thereafter.	Right to convert all or any part of their shares into Cumulative Minimum Floating Rate Preference Shares, Series 12 (Series 12 Shares), subject to certain conditions, on June 30, 2024 and every five years thereafter.

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[3] *Holders of Series 1, Series 3, Series 5, Series 7, Series 9 and Series 11 shares will be entitled to receive fixed cumulative quarterly dividends that yield 3.06% (reset to 2.62% effective for the March 31, 2021 dividend payment), 5.45%, 5.24%, 6.00%, 5.75% and 5.75%, respectively, per annum payable on the last business day of March, June, September and December of each year, as and when declared by the Board of Directors of Capital Power.*

[4] *Holders of Series 2, Series 4, Series 6, Series 8, Series 10 and Series 12 shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.17%, 3.23%, 3.15%, 5.26%, 4.12% and 4.15%, respectively, as and when declared by the Board of Directors of Capital Power.*

25. Share capital, continued:

Common and preferred share dividends

The common and preferred share dividends declared and paid by the Company for the years ended December 31, 2020 and 2019 are summarized as follows:

	Dividends declared				Dividends paid			
	2020		2019		**2020**		2019	
	Per share	**Total**	Per share	Total	**Per share**	**Total**	Per share	Total
Common[5,6]	**$1.9850**	**$209**	$1.8550	$195	**$1.9525**	**$205**	$1.8225	$190
Preference:								
Series 1	**0.7650**	**4**	0.7650	4	**0.7650**	**4**	0.7650	4
Series 3	**1.3633**	**8**	1.3633	8	**1.3633**	**8**	1.3633	8
Series 5	**1.3095**	**10**	1.3095	10	**1.3095**	**10**	1.3095	10
Series 7	**1.5000**	**12**	1.5000	12	**1.5000**	**12**	1.5000	12
Series 9	**1.4375**	**9**	1.4375	9	**1.4375**	**9**	1.4375	9
Series 11	**1.4375**	**9**	0.8960	5	**1.4375**	**9**	0.8960	5

[5] *On July 30, 2020, the Company's Board of Directors approved an increase of 6.8% in the annual dividend to $2.05 per common share effective for the third quarter of 2020.*

[6] *For the year ended December 31, 2020, dividends paid on common shares consist of $190 million paid in cash (2019 – $190 million) and $15 million paid through the Company's dividend reinvestment plan as common shares issued (2019 – nil).*

26. Other cash items and change in non-cash operating working capital:

Other cash items

Year ended December 31		**2020**		2019
Realized losses on settlement of interest rate derivatives	**$**	**(24)**	$	(30)
Miscellaneous financing fees paid		**(5)**		(6)
Reclamation costs		**(3)**		(3)
Other		**(13)**		(17)
	$	**(45)**	$	(56)

Change in non-cash operating working capital

Year ended December 31		**2020**		2019
Trade and other receivables	**$**	**(23)**	$	38
Inventories		**(31)**		11
Trade and other payables		**89**		20
Deferred revenue and other liabilities		**(5)**		(1)
Provisions		**(4)**		1
	$	**26**	$	69

27. Related party balances and transactions:

Nature of transactions

As described in note 33, the Company is party to a number of joint arrangements, primarily for the construction and operation of power generating facilities. The joint arrangements provide energy to the Company and the Company provides management and operation services to the joint arrangements. Transactions with joint arrangements are eliminated to the extent of the Company's interest in the joint arrangement. Genesee 3 and Keephills 3 were both considered joint arrangements until close of the swap transaction during the fourth quarter of 2019 (note 5), at which time the ongoing activities of Genesee 3 will no longer include related party transactions.

Compensation of key management personnel

Year ended December 31		**2020**		2019
Short-term employee benefits	**$**	**8**	$	6
Share-based payments		**5**		6
	$	**13**	$	12

Key management personnel include certain executive officers of the Company in addition to the directors of the Company.

28. Share-based payments:

Share purchase options

Under the Company's long-term incentive plan, the Company provides share purchase options to certain employees to purchase common shares, provided that the number of shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing and that the aggregate number of shares issued by the Company under this plan will not exceed 9,194,506 common shares.

In April 2020, the Company granted 393,245 share purchase options with one-third vesting on April 1 of each of 2021, 2022 and 2023. The fair values of these options at grant date were $1.90, $2.05 and $2.20 per option for the 2021, 2022 and 2023 tranches, respectively. Granted options may be exercised within seven years of the grant date at a price of $27.15 per share.

In March 2019, the Company granted 639,265 share purchase options with one-third vesting on March 7 of each of 2020, 2021 and 2022. The fair values of these options at grant date were $2.50, $2.51 and $2.51 per option for the 2020, 2021 and 2022 tranches, respectively. Granted options may be exercised within seven years of the grant date at a price of $30.78 per share.

The following assumptions were used in estimating the fair value of the granted share purchase options:

	Share purchase options issued in:	
	2020	2019
Share price at grant date	**$27.15**	$30.78
Expected volatility[1]	**17.90%**	16.90%
Expected option life[2]	**4.5 years**	4.5 years
Expected dividend yield	**7.072%**	5.815%
Risk-free interest rate[3]	**1.68%**	1.88%
Exercise price	**$27.15**	$30.78
Expiry date	**April 1, 2027**	March 7, 2026

[1] *Volatility was estimated based on the historical volatility in the Company's share prices.*

[2] *Represents the average expected life of the three tranches for each grant date.*

[3] *Based on the Government of Canada zero-coupon yield curve. Represents the average risk-free rate of the three tranches for each grant date.*

28. Share-based payments, continued:

The following illustrates share purchase options activity during the years ended December 31, 2020 and 2019:

	2020		**2019**	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, as at January 1	**3,176,990**	**$ 24.66**	3,577,660	$ 22.93
Granted	**393,245**	**27.15**	639,265	30.78
Exercised[4]	**(749,155)**	**23.56**	(1,029,332)	22.43
Forfeited	**(122,050)**	**28.65**	(9,406)	24.03
Expired	**(1,188)**	**21.76**	(1,197)	30.78
Options outstanding, as at December 31	**2,697,842**	**$ 25.15**	3,176,990	$ 24.66
Vested options outstanding, as at December 31	**1,748,541**	**$ 23.59**	1,867,357	$ 22.52

[4] *The weighted average share price at the date of exercise was $33.00 (2019 – $30.65).*

During the year ended December 31, 2020, the Company recorded compensation expense of $1 million related to share purchase options in staff costs and employee benefits expense (year ended December 31, 2019 – $2 million).

The weighted average remaining contractual life of the Company's outstanding share purchase options as at December 31, 2020 is 3.82 years (2019 – 3.98 years). The exercise prices of share purchase options outstanding as at December 31, 2020 range from $17.33 to $30.78 (2019 – $17.33 to $30.78).

Performance share units

Capital Power grants PSUs to certain employees, which entitle those employees to receive payments based on an equivalent number of common shares at a specified release date for an amount based on the prevailing market price of such number of common shares on the release date. PSUs are paid out three years from the grant date and vest as service is rendered over that three-year period. Participants receive payments based on the number of units vested, including dividend equivalents with an ending value based on the prevailing market price at the time of payment. PSUs will be paid in cash based on the Company's share performance relative to a group of peer organizations ranging from 0% to 200% times the market price of the PSU at the release date.

	2020	2019
PSUs outstanding, as at January 1	**338,545**	380,862
Granted[5]	**123,513**	100,695
Released[6]	**(191,729)**	(298,100)
Dividends reinvested	**88,375**	157,905
Forfeited	**(25,614)**	(2,817)
PSUs outstanding, as at December 31	**333,090**	338,545

[5] *The fair value of the PSUs at the grant date was $28.91 (2019 – $28.66).*

[6] *The weighted average share price at the date of release was $33.45 (2019 – $27.31).*

During the year ended December 31, 2020, the Company recorded a compensation expense of $2 million (2019 – $7 million) related to the outstanding PSUs in staff costs and employee benefits expense.

28. Share-based payments, continued:

Restricted share units

Capital Power grants RSUs to certain employees, which entitle those employees to receive payments based on an equivalent number of common shares at a specified release date for an amount equal to the market price of such number of common shares on the release date. RSUs are paid out three years from the grant date and vest as service is rendered over that three-year period. RSUs will be paid out to participants in cash based on the number of units vested, including dividend equivalents with an ending value equal to the prevailing market price of Capital Power common shares at the time of payment.

	2020	2019
RSUs outstanding, as at January 1	**274,319**	309,080
Granted[7]	**112,437**	83,538
Released[8]	**(99,767)**	(131,639)
Dividends reinvested	**19,075**	16,899
Forfeited	**(10,414)**	(3,559)
RSUs outstanding, as at December 31	**295,650**	274,319

[7] *The fair value of the RSUs at the grant date was $28.91 (2019 – $28.66).*

[8] *The weighted average share price at the date of release was $33.34 (2019 – $27.34).*

During the year ended December 31, 2020, the Company recorded a compensation expense of $4 million (2019 – $4 million) related to the outstanding RSUs in staff costs and employee benefits expense.

Deferred share units

The Company has approved a DSU Plan pursuant to which non-employee directors of the Company may receive their annual equity retainer in the form of DSUs. Directors are entitled to elect to receive their annual retainer, committee retainer, and/or committee chair retainer in full or partial DSUs. Directors will receive additional DSUs in respect of dividends payable on common shares of the Company based on the value of a DSU at that time. DSUs vest immediately and are redeemed for cash six months after a director's resignation from the Board of Directors, using the average closing price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately before the redemption date. During the year ended December 31, 2020, the Company recorded a compensation expense of $2 million (2019 – $3 million) related to the outstanding DSUs in staff costs and employee benefits expense.

29. Financial instruments:

Fair values

The Company classifies and measures its cash and cash equivalents, trade and other receivables and trade and other payables at amortized cost and their fair values are not materially different from their carrying amounts due to their short-term nature.

Details of the Company's derivative instruments are described in note 14.

The classification, carrying amount and fair value of the Company's other financial instruments are summarized as follows:

	Fair value hierarchy level	**December 31, 2020**		December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets[1]					
Government grant receivable (note 15)	Level 2	**$ 441**	**$ 448**	$ 476	$ 435
Financial liabilities[1]					
Loans and borrowings (note 21)	Level 2	**$ 3,552**	**$ 3,838**	$ 3,413	$ 3,505

[1] *Includes current portion.*

29. Financial instruments, continued:

Fair value hierarchy

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in note 3.

		December 31, 2020		
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instruments assets	**$ –**	**$ 182**	**$ 66**	**$ 248**
Derivative financial instruments liabilities	**–**	**(272)**	**(31)**	**(303)**

		December 31, 2019		
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ –	$ 136	$ 50	$ 186
Derivative financial instruments liabilities	–	(241)	(9)	(250)

Valuation techniques used in determination of fair values within Level 3

The Company has various commodity contracts with terms that extend beyond a liquid trading period. As forward market prices are not available for the full period of these contracts, their fair values are derived using forecasts based on internal modelling and as a result are classified within Level 3 of the hierarchy.

The Company has a fixed price contract to swap the market revenue of its Bloom Wind generation for a fixed annual payment for a 10-year term that expires in 2027. Anticipated generation under this contract is forecasted based on internal modelling. Accordingly, this financial instrument is classified as Level 3.

The Company has a 20-year revenue offtake swap agreement for Buckthorn Wind (see note 4), expiring in 2038, where the market price is swapped for a fixed price per unit of actual generation. The notional quantities are not set forth in the contract and observable forward market pricing is only available for the next 12 years. As such, the Company has developed a generation forecast for the remainder of the contract and a price forecast for the six years for which forward market prices are not available. These are both significant inputs to the determination of fair value, therefore this financial instrument is classified as Level 3.

In addition, as at December 31, 2020 and December 31, 2019, the Company holds contracts for the sale of RECs for which pricing beyond two years is not readily observable and the contracts are therefore classified in Level 3 of the hierarchy.

The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents ranges for the Company's Level 3 inputs:

As at December 31	**2020**	2019
REC pricing (per certificate) – Thermal	**N/A**	$1.05
REC pricing (per certificate) – Solar	**$206.86 to $384.376**	$210.94 to $405.33
REC pricing (per certificate) – Wind	**$1.99**	N/A
Forward power pricing (per MWh) – Wind	**$19.32 to $79.17**	$16.88 to $49.14
Monthly generation (MWh) – Bloom Wind	**51,100 to 70,160**	54,426 to 72,000
Monthly generation (MWh) – Buckthorn Wind	**11,365 to 21,736**	N/A

29. Financial instruments, continued:

Valuation process applied to Level 3

The valuation models used to calculate the fair value of the derivative financial instruments assets and liabilities within Level 3 are prepared by appropriate internal subject matter experts and reviewed by the Company's commodity risk group and by management. The valuation technique and the associated inputs are assessed on a regular basis for ongoing reasonability.

The table below presents the impact to fair value of Level 3 derivative instruments based on reasonably possible alternative assumptions:

As at December 31		**2020**		2019
REC pricing – Solar[2]	**$**	**–**	$	–
REC pricing – Wind[2]		**4**		N/A
Forward power pricing – Wind[2]		**15**		10
Generation – Wind[3]		**7**		11

[2] Reflects the increase or decrease to fair value calculated using a $1 per unit decrease or increase in the input.

[3] Reflects the increase or decrease to fair value calculated using a 10% decrease or increase in the input.

Continuity of Level 3 balances

The Company classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model used to determine fair value. In addition to these unobservable inputs, the valuation model for Level 3 instruments also relies on a number of inputs that are observable either directly or indirectly. Accordingly, the unrealized gains and losses shown below include changes in the fair value related to both observable and unobservable inputs. The following table summarizes the changes in the fair value of financial instruments classified in Level 3:

		2020		2019
As at January 1[4]	**$**	**41**	$	(28)
Acquired with Buckthorn Wind (note 4)		**44**		–
Unrealized and realized (losses) gains included in net income[5]		**(41)**		69
Settlements[6]		**(4)**		–
Transfers[7]		**(3)**		–
Foreign exchange loss		**(2)**		–
As at end of period	**$**	**35**	$	41
Total unrealized and realized (losses) gains for the period included in net income[5]	**$**	**(41)**	$	69

[4] The fair value of derivative instruments assets and liabilities are presented on a net basis.

[5] Recorded in revenues.

[6] Relates to settlement of financial derivative instruments.

[7] Relates to transfers from Level 3 to Level 2 when pricing inputs became readily observable.

All instruments classified as Level 3 are derivative type instruments. Gains and losses associated with Level 3 balances may not necessarily reflect the underlying exposures of the Company, as unrealized gains and losses from Level 3 financial instruments are often offset by unrealized gains and losses on financial instruments that are classified in Levels 1 or 2.

Financial assets

The fair value of the Company's government grant receivable held at amortized cost is estimated by discounting its expected future cash flows at current market interest rates for comparable instruments with similar terms, plus an estimated credit spread based on the counterparty credit risk as at December 31, 2020 and 2019.

29. Financial instruments, continued:

Financial liabilities

The fair values of the Company's loans and borrowings are based on determining a current yield for the Company's loans and borrowings as at December 31, 2020 and 2019. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada and U.S. Government bonds that have similar maturities to the Company's loans and borrowings. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Offsetting of financial assets and liabilities

The Company's commodity trading transactions are typically transacted on an exchange or under International Swap Dealers Association Master Agreements or similar master agreements. In general, under the Company's trading agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. Such amounts meet the criteria for offsetting and are presented as such on the Company's statements of financial position. In certain circumstances, including when a credit event such as a default occurs, generally all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable by one party to the other in settlement of all transactions. Amounts that may only be offset in these circumstances do not meet the criteria for offsetting on the Company's statements of financial position.

The Company also has an agreement in place with one of its energy trading counterparties that conveys to the counterparty the right to set-off amounts receivable and amounts payable between the Company and the counterparty in certain circumstances, including when a credit event such as a default occurs on the part of the Company. Such amounts do not meet the criteria for offsetting on the Company's statements of financial position. The Company issues and accepts collateral in the form of cash and letters of credit in respect of its commodity trading transactions. Such collateral is generally subject to standard industry terms. The terms generally also give each counterparty the right to terminate the related transactions upon the other counterparty's failure to post collateral.

Financial assets subject to offsetting, enforceable master netting arrangements or similar arrangements

				Related amounts not offset in the statement of financial position		
Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position[8]	Financial instruments	Collateral received[9]	Net amount
As at December 31, 2020						
Commodity trading assets	**$ 399**	**$ (113)**	**$ 286**	**$ (66)**	**$ –**	**$ 220**
As at December 31, 2019						
Commodity trading assets	$ 321	$ (70)	$ 251	$ (51)	$ (2)	$ 198

[8] *The net amounts of commodity trading assets presented in the statement of financial position include current derivative instruments assets of $66 million, non-current derivative instruments assets of $174 million and trade and other receivables of $46 million (December 31, 2019 – current derivative instruments assets of $44 million, non-current derivative instruments assets of $140 million and trade and other receivables of $67 million).*

[9] *Collateral received relating to the net financial assets disclosed above is in the form of letters of credit received from the Company's counterparties.*

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar arrangements

				Related amounts not offset in the statement of financial position		
Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position[10]	Financial instruments	Collateral pledged	Net amount
As at December 31, 2020						
Commodity trading liabilities	**$ 315**	**$ (113)**	**$ 202**	**$ (68)**	**$ (19)**	**$ 115**
As at December 31, 2019						
Commodity trading liabilities	$ 272	$ (70)	$ 202	$ (65)	$ (27)	$ 110

[10] *The net amounts of commodity trading liabilities presented in the statement of financial position include current derivative instruments liabilities of $52 million, non-current derivative instruments liabilities of $138 million and trade and other payables of $12 million (December 31, 2019 – current derivative instruments liabilities of $60 million, non-current derivative instruments liabilities of $107 million and trade and other payables of $35 million).*

30. Risk management

Risk management overview

The Company is exposed to a number of financial risks arising from business activities and its use of financial instruments, including market risk, credit risk and liquidity risk. The Company's overall risk management process is designed to identify, manage and mitigate business risk which includes, among other risks, financial risk. Risk management is overseen by the Company's Executive Team according to objectives, targets, and policies approved by the Capital Power Board of Directors. The Executive Team is comprised of the most senior management group within the Company.

Risk management strategies, policies and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and limit the volatility in income and cash flow.

Commodity price risk management and the associated credit risk management are carried out in accordance with the respective commodity, credit and financial exposures risk management policies, as approved by the Executive Team and the Board of Directors. Financial risk management, including foreign exchange risk, interest rate risk, and liquidity risk, is carried out by a centralized Treasury function, also in accordance with a financial risk management policy approved by the Executive Team and the Board of Directors. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies.

In 2020, the COVID-19 pandemic created a dynamic and challenging environment to navigate. Combined with a sharp decline in oil prices, the result has been notable market volatility, including fluctuations in interest rates, foreign currency rates and the Company's share price. The key implications of these developments on the Company's financial risk exposures and key strategies for mitigating those risks are addressed below within the relevant sections.

Market risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates, interest rates and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non trading physical asset and contract portfolios, and trading portfolios.

To manage the exposure related to changes in market risk, the Company uses various risk management techniques including derivative instruments. Derivative instruments may include forward contracts, fixed-for-floating swaps (or contracts-for-differences) and option contracts. Such derivative instruments may be used to establish a fixed price for an energy commodity, an interest-bearing obligation or an obligation denominated in a foreign currency. Commodity risk exposures are monitored daily against approved risk limits, and control processes are in place to monitor that only authorized activities are undertaken.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonably possible changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of income on these contracts. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

30. Risk management, continued:

Commodity price risk

The Company is exposed to commodity price risk as part of its normal business operations, including energy procurement activities in Canada and the U.S. The Company's energy procurement activities consist of power generation, non-market traded and market traded electricity, natural gas and emission credits purchase and sales contracts, and derivative contracts. The Company is primarily exposed to changes in the prices of electricity and natural gas. The Company actively manages commodity price risk by optimizing its asset and contract portfolios utilizing the following methods:

- The Company reduces its exposure to the volatility of commodity prices related to electricity sales and natural gas purchases by entering into offsetting contracts such as contracts-for-differences and firm price physical contracts for periods of varying duration.
- The Company enters into fixed price energy sales contracts and power purchase arrangements which limit the exposure to electricity prices. The Company has entered into long-term tolling arrangements whereby variable changes linked to the price of natural gas are assumed by the counterparty.
- The Company enters into back-to-back electricity and natural gas physical and financial contracts to lock in a margin.

Responses to the COVID-19 pandemic throughout North America have driven a reduction in demand for electricity as municipal, provincial and state authorities implemented social distancing policies, and stay-at-home and/or "shelter in place" directives. In turn, this put downward pressure on forward electricity prices during 2020 and for the balance of 2021. While there is currently no certainty as to when the pandemic will be brought fully under control, progress on vaccine distribution has led to more optimism around the ultimate duration of the pandemic into 2021. While it is possible that these impacts could extend further into 2021, a recovery in demand is already well underway, along with a recovery in forward electricity prices for 2021, despite additional restrictions coming into effect in late 2020 in various jurisdictions. While Alberta and Ontario are applying restrictions, both provinces continue to be supportive of keeping their economies open as best as possible while addressing the ongoing pandemic.

Approximately half of Capital Power's net cash flows from operating activities come from facilities located outside of Alberta. These facilities are under long-term contractual arrangements with investment grade counterparties. As a result, these facilities have little exposure to the downward pressure on electricity prices as a result of lower electricity demand. The Company's thermal facility contracts typically are tolling arrangements in which most of the revenue is in the form of capacity payments that are paid regardless of the degree the facility is run. The Company's wind facilities receive fixed pricing for the power produced. In Ontario, where the lower electricity demand could result in some additional physical curtailment of wind facilities, Capital Power is held whole under the contractual arrangements even in the event of physical curtailment.

The balance of the Company's net cash flows from operating activities come from Alberta generation facilities. In 2020, approximately 60% of the Company's net cash flows from operating activities from Alberta facilities are under long-term contract with investment grade counterparties, including the tolling arrangement on the Shepard Energy Centre and the power purchase arrangements for Genesee 1 and 2 through the end of 2020. The balance of the output from the Company's Alberta facilities is sold into the Alberta merchant market, however, the Company continues to manage this exposure by entering into various purchase and sale arrangements for periods of varying duration.

For 2021, the portion of net cash flows from operating activities from Alberta facilities under long-term contracts is approximately 20%, and as at December 31, 2020, the balance of the Company's Alberta commercial baseload generation not under long-term contract was 29% sold forward for 2021. The relatively lower percentage sold forward for 2021 is driven by lower than normal liquidity and the gap between forward pricing and management's pricing expectations for 2021, however, in late 2020 liquidity began to improve and the gap in pricing expectations reduced. The lower than normal liquidity and gap in price expectations were likely driven by uncertainty due to a number of factors, including (i) impacts of the expiry of power purchase arrangements shifting more market share offer control from the Alberta Balancing Pool to commercial entities, (ii) continued impacts of COVID-19 and oil price reduction on demand, and (iii) carbon pricing. The Company balances the risk associated with being exposed to a higher volume of fluctuations in power prices with the risk of missing opportunities to sell power at higher expected prices in future periods.

The reduction in oil prices in 2020 has driven a reduction in oil production, which also impacts natural gas production tied to oil drilling. These reductions in natural gas supply have put upward pressure on natural gas prices for the balance of 2020 and beyond.

30. Risk management, continued:

The Company's portfolio of generation comes from a variety of fuel types which minimizes exposure to any one fuel type. For natural gas, the Company uses long-term supply agreements including natural gas contracts as well as fixed transportation agreements to manage its exposure to increases in natural gas prices. As at December 31, 2020, the Company has economically hedged 78% of its expected natural gas burn for 2021, and as a result does not anticipate significant fuel price risk in 2021.

The Company also engages in taking market risk positions within authorized limits approved by Capital Power's Executive Team and Board of Directors. The trading portfolio includes electricity and natural gas physical and financial derivative contracts which are transacted with the intent of benefiting from short-term actual or expected differences between their buying and selling prices or to lock in arbitrage opportunities.

The fair value of the Company's energy-related derivatives as at December 31, 2020, that are required to be measured at fair value with the respective changes in fair value recognized in net income are disclosed in note 14.

The Company employs a Value-at-Risk (VaR) methodology to manage risk exposures to commodity prices on a consolidated basis. VaR measures the estimated potential loss in a portfolio of positions associated with the movement of commodity prices for a specified time period and a given confidence level. Capital Power's VaR for positions expected to settle in 2021, as at December 31, 2020, uses a statistical confidence level of 99% over a 10-business-day holding period. This measure reflects a 1% probability that, over the 10-day period commencing with the point in time that the VaR is measured, the fair value of the overall commodity portfolio could decrease by an amount in excess of the VaR amount. The VaR methodology is a statistically defined, probability based approach that takes into consideration market price volatilities and risk diversification by recognizing offsetting positions and correlations between products and markets. This technique makes use of historical data and assesses the market risk arising from possible future changes in commodity prices over the holding period.

VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR calculated based on a holding period may not fully capture the market risk of positions that cannot be liquidated or hedged within the holding period.
- The Company computes VaR of the portfolios at the close of business and positions may change substantially during the course of the day.
- VaR, at a 99% confidence level, does not reflect the extent of potential losses beyond that percentile. Losses on the other 1% of occasions could be substantially greater than the estimated VaR.

These limitations and the nature of the VaR measurements mean that the Company can neither guarantee that losses will not exceed the VaR amounts or that losses in excess of the VaR amounts will not occur more frequently than 1% of the time. As VaR is not a perfect predictor of risk, the Company undertakes back testing and periodically calibrates the VaR calculation to a 99% confidence level.

The estimation of VaR takes into account positions from all wholly owned subsidiaries and subsidiaries in which the Company has a controlling interest, and reflects the Company's aggregate commodity positions from its trading and asset portfolios. Capital Power's Board of Directors has approved the methodology for the ongoing determination of commodity risk limits, under their commodity risk management policy. Commodity risk is monitored, and reported to the Executive Team, on a daily basis and reported to Capital Power's Audit Committee on a quarterly basis. The portfolios are stress tested regularly to observe the effects of plausible scenarios taking into account historical price movements and certain hypothetical extreme events. As at December 31, 2020, the VaR of the Company's commodity trading and assets portfolios for 2021 as a result of unfavourable market price changes is $31 million based on a 99% confidence level and a holding period of 10 days.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated forecasted transactions, firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign operations. The Company's operations expose it to foreign exchange risk arising from transactions denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar but it is potentially exposed to changes in other currencies if and when it transacts in other currencies. The risk is that the functional currency value of cash flows will vary as a result of the movements in exchange rates.

30. Risk management, continued:

The Company's foreign exchange management policy is to limit economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's exposure to foreign exchange risk arises from future anticipated cash flows from its U.S. operations, debt service obligations on U.S. dollar borrowings, and from certain capital expenditure commitments denominated in U.S. dollars or other foreign currencies. The Company coordinates and manages foreign exchange risk centrally, by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks; these are hereinafter referred to as being economically hedged. The Company may also use derivative instruments to manage foreign exchange risk.

As a result of the current economic uncertainty created by the pandemic and the reduction in the price of oil, the value of the Canadian dollar fluctuated notably as compared to the U.S. dollar during 2020, including weakening in the first quarter followed by a recovery during the remainder of 2020 and ultimately a strengthening of the Canadian dollar by December 31, 2020. These fluctuations affect the Company's capital and operating costs, revenues and cash flows and unfavourable fluctuations can adversely impact the Company's financial performance.

For the Company's facilities that have a U.S. functional currency, foreign exchange movements are largely matched within its U.S. operations and hence foreign exchange exposure is mitigated. The largest exposure the Company currently has to foreign exchange movements is related to capital costs for the Whitla Wind 2 and 3 project. The Company has entered into cash flow hedges on those capital costs that have settled and will settle during 2020 and 2021, respectively, to mitigate that exposure. At December 31, 2020, the Company held foreign exchange derivatives as disclosed in note 14.

As at December 31, 2020, holding all other variables constant, a $0.10 strengthening or weakening of the Canadian dollar against the U.S. dollar would have decreased or increased net income attributable to shareholders by less than $1 million (2019 – increased or decreased by $1 million) and would have decreased or increased other comprehensive income by $8 million (2019 – nil). This sensitivity analysis excludes translation risk associated with the translation of subsidiaries that have a different functional currency to the functional currency of the Company and financial instruments denominated in the functional currency in which they are transacted and measured. As a result, the impact to other comprehensive income reflects only the sensitivity relating to the foreign exchange cash flow hedges.

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company uses floating rate funding for current borrowings and other liquidity requirements. As at December 31, 2020, the proportion of fixed rate loans and borrowings was approximately 80% of total loans and borrowings outstanding (2019 – 74%). The Company uses derivative instruments to manage interest rate risk. At December 31, 2020, the Company held interest rate derivatives as disclosed in notes 4 and 14 which effectively fixed the Company's interest rate spread and increased the proportion of fixed rate loans and borrowings to 95% (2019 – 88%) as at December 31, 2020.

Assuming that the amount and mix of fixed and floating rate loans and borrowings and net loans and borrowings remains unchanged from that held as at December 31, 2020, a 100 basis point decrease or increase to interest rates would increase or decrease full year net income attributable to common shareholders by $1 million (2019 – $3 million) and would have no direct impact on other comprehensive income.

The effect on net income does not consider the effect of an overall change in economic activity that would accompany such an increase or decrease in interest rates.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company. The Company's counterparty credit risk management policy is established by the Executive Team and approved by the Board of Directors. The associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into any agreements or transactions with the counterparty. Credit exposures and concentrations are subsequently monitored and are regularly reported to management on an ongoing basis. Counterparty creditworthiness also continues to be evaluated on an ongoing basis after transactions have been initiated.

30. Risk management, continued:

Credit risk is managed and mitigated through a number of risk mitigation practices such as securing parent company guarantees to enhance counterparty credit quality, negotiating and obtaining security (such as cash deposits, letters of credit or property) to offset potential losses, utilization of credit derivatives to reduce credit risk and margining to limit credit risk where applicable.

Maximum credit risk exposure

The Company's maximum credit exposure was represented by the following financial assets:

As at December 31		**2020**		2019
Cash and cash equivalents (note 11)	**$**	**367**	$	248
Trade and other receivables (note 12)[1]		**499**		334
Derivative financial instruments assets (note 14)[1]		**248**		186
Government grant receivable (note 15)		**387**		423
	$	**1,501**	$	1,191

[1] *The Company's maximum credit exposures related to trade and other receivables and derivative financial instruments assets by major credit concentration are comprised of maximum exposures of $215 million (2019 – $210 million) for wholesale counterparties and $532 million (2019 – $310 million) for generation and other counterparties as at December 31, 2020.*

The Company is not permitted to sell or re-pledge collateral in the absence of default of the collateral providers. As at December 31, 2020, the Company also held other forms of credit enhancement in the forms of letters of credit of $11 million (2019 – $29 million), parental guarantees of $2,589 million (2019 – $1,967 million) and property registrations of $39 million (2019 – $46 million) related to the financial assets noted above. As at December 31, 2020 and 2019, the Company also held parental guarantees which do not have a defined amount or limit, but which provide full support on any outstanding positions related to counterparty performance for power purchase arrangements and certain other operating and construction contracts.

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade and other receivables associated with its generation and optimization activities, including power purchase arrangements, agreements with independent system operators, power and steam sales contracts, energy supply agreements with government sponsored entities, wholesale customers, and trading counterparties. The Company is also exposed to credit risk related to its cash and cash equivalents (which include short-term investments), financial and non-financial derivative instruments assets and long-term financing arrangements.

The credit quality and concentrations of the Company's trade and other receivables and other financial assets, by major credit concentrations, are the following:

Cash and cash equivalents

The Company has significant credit and performance exposures to financial institutions as they provide committed credit lines and cash deposit facilities, are the primary counterparty of the Company's interest rate and foreign exchange derivative instruments, and facilitate letters of credit to mitigate the Company's exposure to certain counterparties. The Company manages its credit risk on cash and cash equivalents, and short-term investments by dealing with investment grade rated banks and financial institutions and reviewing each investment vehicle to ensure the underlying credit risk is known.

Trade and other receivables and financial derivative instruments

Trade and other receivables are substantially made up of receivables related to the generation and sale of electricity to customers, including industrial and commercial customers, independent system operators from various regions and government-owned or sponsored entities and the settlement of financial derivative instruments related to merchant price risk mitigation and trading activities. The Company manages its credit risk on these financial assets through its credit adjudication process, dealing with creditworthy counterparties and utilizing the credit risk mitigation practices noted above.

30. Risk management, continued:

Generation credit risk

Credit risk exposure from PPAs, agreements with independent system operators, power and steam sales contracts, and certain energy supply agreements is predominantly restricted to trade and other receivables and contract default. In certain cases, the Company relies on a single or small number of customers to purchase all or a significant portion of a facility's output.

The failure of any one of these counterparties to fulfill its contractual obligations could negatively impact the Company's financial results. Financial loss resulting from events of default by counterparties in certain PPAs and steam purchase arrangements may not be recovered since the contracts may not be replaceable on similar terms under current market conditions. Consequently, the Company's financial performance depends on the continued performance by customers and suppliers of their obligations under these long-term agreements. Credit risk exposure is mitigated by dealing with creditworthy counterparties that are determined to be investment grade based on the Company's internally assigned ratings or employing mitigation strategies as noted above, netting amounts by legally enforceable set-off rights, and, when appropriate, taking security from the counterparty. Credit risk with counterparties in this asset class that are government-owned or sponsored entities and regulated public utility distributors is generally considered low.

Wholesale and merchant credit risk

Credit risk exposure for wholesale and merchant trading counterparties is measured by calculating the costs (or proceeds) of replacing the commodity position (physical and derivative contracts), adjusting for settlement amounts due to or due from the counterparty and, if permitted, netting amounts by legally enforceable set-off rights. Financial loss on wholesale contracts could include, but is not limited to, the cost of replacing the obligation, amounts owing from the counterparty or any loss incurred on liability settlements. Wholesale and merchant credit risk exposure is mitigated by trading with investment grade and creditworthy counterparties, portfolio diversification, monitoring of credit exposure limits, margining to reduce energy trading risks, obtaining parent company guarantees, and when appropriate, taking security from counterparties.

Trade and other receivables and allowance for doubtful accounts

Trade and other receivables consist primarily of amounts due from customers, including commercial and industrial customers, independent system operators from various regions, government owned or sponsored entities, and other counterparties. Larger commercial and industrial customer contracts and contracts-for-differences provide for performance assurances, including letters of credit if deemed appropriate. The Company also has credit exposures to large suppliers of electricity and natural gas. The Company mitigates these exposures by dealing with creditworthy counterparties and, when appropriate, taking appropriate security from the supplier.

As a result of the economic impacts of both COVID-19 and the reduction in the price of oil, the risk that certain of the Company's counterparties will be unable to satisfy their contractual obligations has increased. Increased exposures include trade and other receivables on certain commercial and industrial customers as well as derivative financial instruments assets related to emissions portfolio trading.

The aging of trade and other receivables as at December 31, 2020 was:

	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current[2]	$ 500	$ 1	$ 499
Outstanding greater than 90 days	–	–	–
	$ 500	$ 1	$ 499

[2] *Current amounts represent trade and other receivables outstanding zero to 30 days. Amounts outstanding more than 30 days are considered past due.*

As at December 31, 2020 and 2019, the Company held no customer deposits for the purpose of mitigating the credit risk associated with accounts receivable from customers. Due to the increased risk noted above, as at December 31, 2020, the Company recorded an allowance of $1 million for expected credit losses on trade and other receivables associated with energy procurement counterparties.

As at December 31, 2019, there were no expected credit losses associated with trade and other receivables from treasury, trading and energy procurement counterparties as all balances were considered to be fully collectible.

30. Risk management, continued:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities, financings in public and private debt markets and equity offerings by the Company or its CPLP subsidiary. The Company also ladders its debt maturities to avoid large repayments in a single year.

The potential for ongoing volatility in financial markets may create additional uncertainty when accessing capital. The Company's current liquidity remains strong and the Company was able to complete an offering of medium-term notes which closed on October 1, 2020 and covered the refinancing of medium-term notes that were to mature later in the year (see note 21). Additionally, the Company also continues to have available committed credit facilities to draw upon as described below. To date in 2020, the Company has not experienced and does not anticipate significant unfavourable impacts to liquidity driven by recent market developments.

As at December 31, 2020, the Company had undrawn bank credit facilities and operating lines of credit and demand facilities, totalling $991 million (2019 – $897 million), of which $798 million is committed to 2024 (2019 – $631 million committed to 2024).

In addition to the facilities noted above, the Company has a shelf prospectus under which it may raise funds in the form of debt or equity. As at December 31, 2020, Capital Power has a Canadian shelf prospectus, which expires in June 2022, under which it may raise up to $3 billion collectively in common shares of the Company, preference shares of the Company, subscription receipts exchangeable for common shares and/or other securities of the Company, and debt securities of the Company.

The following are the undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, and where applicable, net of financial assets that generate cash inflows to meet cash outflows on financial liabilities as at December 31, 2020:

		Due between					
	Due within 1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	Due after more than 5 years	Total contractual cash flows
Non-derivative financial liabilities:							
Loans and borrowings[3] (note 21)	$ 358	$ 69	$ 74	$ 719	$ 82	$ 1,862	$ 3,164
Interest payments on loans and borrowings	97	89	89	87	66	218	646
Trade and other payables[4] (note 20)	447	–	–	–	–	–	447
Lease liabilities	13	14	14	14	13	195	263
Derivative financial liabilities (net of financial assets):							
Commodity and other derivatives	1	4	1	4	2	30	42
Total	$ 916	$ 176	$ 178	$ 824	$ 163	$ 2,305	$ 4,562

[3] *Repayments of loans and borrowings exclude fair value differentials of $17 million related to debt assumed on previous asset acquisitions and $400 million related to repayments of tax-equity financing through non-cash tax-equity attributes.*

[4] *Excluding accrued interest on loans and borrowings of $23 million.*

31. Capital management:

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay regular dividends to its shareholders, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the growth strategy of the Company. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of loans and borrowings net of cash and cash equivalents and equity (which includes non controlling interests).

The following table represents the total capital of the Company:

As at December 31	2020	2019
Loans and borrowings (note 21)	**$ 3,552**	$ 3,413
Lease liabilities[1] (note 17)	**149**	111
Cash and cash equivalents (note 11)	**(367)**	(248)
Net debt	**3,334**	3,276
Share capital (note 25)	**3,465**	3,441
Deficit and other reserves	**(565)**	(377)
Non-controlling interests (note 32)	**29**	37
Total equity	**2,929**	3,101
	$ 6,263	$ 6,377

[1] *Includes the current portion disclosed within deferred revenue and other liabilities.*

Capital Power has senior unsecured long-term debt ratings of BBB- (stable outlook) and BBB (low) assigned by Standard & Poor's (S&P) and DBRS Limited (DBRS), respectively. Capital Power has preferred share ratings of P-3 and Pfd-3 (low) assigned by S&P and DBRS, respectively.

Capital Power has the following externally imposed requirements on its capital as a result of its credit facilities and certain debt covenants, as defined in the respective agreements:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 0.75 to 1.0;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 0.65 to 1.0;
- Limitation on debt issued by subsidiaries; and
- In the event that Capital Power is assigned a rating of less than BBB from S&P and BBB (low) from DBRS (in each case with a stable outlook), Capital Power would also be required to maintain a ratio of consolidated earnings before interest, income taxes, depreciation and amortization to consolidated interest expense, as defined in the debt agreements, of not less than 2.5 to 1.0.

For the years ended December 31, 2020 and 2019, Capital Power complied with all externally imposed capital restrictions.

To manage or adjust its capital structure, the Company can issue new loans and borrowings, issue common or preferred shares, buy back common shares, redeem preferred shares, repay existing loans and borrowings or adjust dividends paid to its shareholders.

32. Investments in subsidiaries that have non-controlling interests:

Set out below is the Company's principal subsidiary that has a non-controlling interest (NCI) at December 31, 2020:

	Place of business	Percentage of ownership interest held by the Company	Percentage of ownership interest held by the NCI	Principal activities
Genesee coal mine assets	Canada	50%	50%	Coal production for use in power generation

The Company holds a 50% interest in the Genesee Mine while the other 50% is held by an external party. The decisions about the relevant activities of the Genesee Mine are made based on a majority vote by the Management Committee. The Management Committee is comprised of three members appointed by each of the Company and the external party. Based on the terms of the agreement surrounding the operations of the Genesee Mine, it is noted that under the circumstance where the two parties are in a deadlock with respect to a decision that would affect the relevant activities of the Genesee Mine, Capital Power holds the deciding vote. Given Capital Power's voting rights, Capital Power has control to affect the variability in its returns. Based on an assessment of the relationship between Capital Power and the Genesee Mine, Capital Power controls the Genesee Mine and therefore the Genesee Mine is treated as a subsidiary of Capital Power.

There are no significant restrictions on access to the subsidiary's assets.

The summarized financial information of the Genesee Mine is as follows:

Consolidated statements of financial position and loss and other comprehensive loss		2020		2019
Non-current assets	**$**	**58**	$	70
Net loss and comprehensive loss attributable to partners	**$**	**(12)**	$	(13)

Consolidated statements of cash flows		2020		2019
Net cash flows used in investing activities	**$**	**(7)**	$	(10)
Net cash flows from financing activities		**7**		10
Net increase (decrease) in cash and cash equivalents		**–**		–
Cash and cash equivalents at beginning of year		**–**		–
Cash and cash equivalents at end of year	**$**	**–**	$	–

Non-controlling interests reflected on the consolidated statement of financial position are comprised of:

Year ended December 31		2020		2019
Non-controlling interest in the Genesee Mine, beginning of year	**$**	**35**	$	41
Net loss attributable to non-controlling interest		**(6)**		(6)
Non-controlling interest in the Genesee Mine, end of year	**$**	**29**	$	35
Non-controlling interest in Macho Springs[1]		**–**		2
Total non-controlling interests, end of year	**$**	**29**	$	37

[1] *Includes $2 million (2019 – nil) in distributions to non-controlling interests.*

33. Interests in joint arrangements and associates:

Joint operations

The Company holds interests in the following joint operations as at December 31, 2020:

	Place of business	% of ownership interest
Joffre Cogeneration project (Joffre)[1]	Canada	40%
Shepard Energy Centre (Shepard)[2]	Canada	50%

[1] *Joffre is a 480 MW gas-fired combined cycle cogeneration facility in which Capital Power holds a 40% interest with external parties holding 40% and 20% interests, respectively. The Company's investment in the Joffre joint arrangement, which is incorporated as a separate legal entity, has been determined to be a joint operation since the contractual arrangements governing the joint arrangement indicate that the parties to the arrangement are entitled to the assets of the joint arrangement and are exposed to the liabilities of the joint arrangement in proportion to their ownership interest.*

[2] *Shepard is an 860 MW gas-fired generating facility in which Capital Power holds a 50% interest while the other 50% is held by an external party, with the external party responsible for management and operations. Both parties independently dispatch and market their share of the electrical output through Alberta's competitive wholesale market.*

There are no significant restrictions pertaining to the joint operations described above, other than those described in note 21 pertaining to the charges on the Joffre assets.

Equity-accounted investments

Joint venture

York Energy Centre L.P. (York Energy) is a 400 MW natural gas-fired power generating facility, located in Ontario, Canada, in which Capital Power holds a 50% interest while the other 50% is held by an external party. The Company's investment in York Energy, which consists of separate legal entities, has been determined to be a joint venture and is accounted for under the equity method. The Company's obligations are limited to their capital contributions to the joint arrangement, and the Company's receipts of the economic benefits of the joint arrangement are limited to the quarterly distributions. As a result, there is no indication that the Company has rights to the assets or obligations for the liabilities of the joint arrangement and the investment has been classified as a joint venture.

The summarized financial information of York Energy is as follows:

Statements of financial position		**2020**		2019
Cash and cash equivalents	**$**	**9**	$	6
Other current assets		**9**		11
Non-current assets[3]		**214**		221
Other financial current liabilities		**(19)**		(16)
Trade and other payables		**(3)**		(3)
Financial non-current liabilities		**(226)**		(229)
Other non-current liabilities		**(3)**		(3)
Net assets	**$**	**(19)**	$	(13)

[3] *York Energy has restricted cash of $10 million (2019 – $9 million) included in non-current assets above which represents security for a standby line of credit with a third party.*

Statements of income and comprehensive income		**2020**		2019
Revenues	**$**	**61**	$	62
Energy purchases and fuel		**(8)**		(8)
Other raw materials and operating charges		**(3)**		(4)
Other administrative expense		**(2)**		(1)
Depreciation and amortization		**(9)**		(9)
Finance expense		**(24)**		(15)
Net income and comprehensive income	**$**	**15**	$	25

33. Interests in joint arrangements and associates, continued:

A reconciliation of the Company's recorded equity investment in York Energy is as follows:

		2020		2019
Equity-accounted investment in York Energy, as at January 1	**$**	**132**	$	142
Proportionate share of comprehensive income (50%)		**8**		13
Distributions received – operating		**(11)**		(12)
Amortization of the Company's fair value of net assets acquired		**(11)**		(11)
Equity-accounted investment in York Energy, as at December 31	**$**	**118**	$	132

York Energy is party to a number of long-term transportation contracts and an operating and maintenance contract. The Company's share of approximate future payments for transportation contracts is $8 million in 2021, $21 million from 2022 to 2025 and $16 million after five years. The Company's share of approximate future payments for the operating and maintenance contract is $2 million from 2021 to 2025 and $9 million thereafter.

Associate

In 2020, the Company's equity interest in C2CNT, a technology company developing a proprietary solution to transform carbon into carbon nanotubes, increased from 5% to 25% with the other 75% held by an external party. The Company is presumed to have significant influence over C2CNT based on its investment now exceeding 20% and this is supported by the voting rights associated with the Company's interest in C2CNT. Accordingly, the Company's investment in C2CNT has been determined to be an investment in an associate and is accounted for under the equity method.

As at December 31, 2020, the equity-investment in its associate C2CNT is $16 million (US$13 million) and no income or operating cash flow has been earned in the year. For the year ended December 31, 2019, the Company's investment in C2CNT was $3 million (US$3 million) recorded in other assets.

In December 2020, the Company elected to exercise its option to increase its equity interest from 25% to 40% for $13 million (US$10 million) with the additional investment to occur during the first quarter of 2021.

34. Commitments and contingencies:

(a) The Company is committed to the following growth projects at December 31, 2020:

Projects	Capacity (MW)	Expected capital cost	Expected completion date	Location
Repowering of Genesee 1 and 2	560[1]	$997	2023–2024[1]	Alberta
Renewable Projects:				
Whitla Wind 2	97	$165	Fourth quarter of 2021	Alberta
Whitla Wind 3	54	$92	Fourth quarter of 2021	Alberta
Strathmore Solar	40.5	$50–$55	Early 2022	Alberta
Enchant Solar	75	$100–$105	Fourth quarter of 2022	Alberta
Hornet Solar	75	$118 (US$90)	Fourth quarter of 2022	North Carolina
Hunter's Cove Solar	50	$82 (US$62)	Fourth quarter of 2022	North Carolina
Bear Branch Solar	35	$60 (US$46)	Fourth quarter of 2022	North Carolina

[1] *The two repowered units will provide an additional 560 MW of net capacity totalling 1,360 MW. Genesee 1 would become a dedicated natural gas combined cycle (NGCC) unit in 2023 and Genesee 2 would become a dedicated NGCC unit by 2024.*

(b) The Company is party to a number of long-term energy purchase and transportation contracts, operating and maintenance contracts and contracts to purchase environmental credits. Some of the energy purchase and transportation contracts are measured at their fair value and recorded on the consolidated statement of financial position as derivative financial instruments assets and liabilities as appropriate.

34. Commitments and contingencies, continued:

Approximate future payments under each group of contracts are as follows:

	Energy purchase and transportation contracts[1]	Operating and maintenance contracts[2]	Environmental credits[3]
Within one year	$ 196	$ 69	$ –
Between one and five years	448	271	19
After five years	622	421	7
	$ 1,266	$ 761	$ 26

[1] Based on gross settlement amounts.

[2] Includes 10-year long-term service agreement (LTSA) extensions that the Company signed with Vestas in 2020 for the maintenance of nine of the Company's wind facilities. The new LTSAs were executed in 2020 and will take effect between 2021 and 2023.

[3] Future environmental credit purchases are presented net of future environmental credit sales.

(c) Capital Power participated in the Line Loss Rule Proceeding before the Alberta Utilities Commission (AUC) regarding loss factors that form the basis for certain transmission charges paid by Alberta generators, including Capital Power. The LLR Proceeding addressed the replacement of the non-compliant LLR as well as the resulting adjustment of line loss charges and credits for the years 2006 up to and including 2016.

Based on current AUC decisions, Capital Power will incur additional charges related to historical periods and, as such, has recorded $20 million pertaining to the Company's estimated net liability, as described below. This amount reflects an increase of $5 million recorded during 2020 to reflect updated information published by the Alberta Electric System Operator (AESO). The invoicing process results in gross billings to Capital Power, of which those amounts not attributable to Capital Power will then be recoverable from the appropriate parties.

The AUC rendered a decision on July 9, 2020 directing the AESO to issue three separate invoices for the various historic years instead of a single invoice for the entire period. The AESO's invoicing compliance plan was subsequently approved in September 2020. As a result, the AESO issued the first tranche of invoices covering the years 2014–2016 in October 2020, which were paid by the Company in December 2020. The amounts invoiced to Capital Power but not attributable to the Company pertaining to the first tranche of invoices have been invoiced to the appropriate parties for recovery with a portion received by the Company in December 2020. The second tranche of invoices covering the years 2010–2013 was received late in 2020 and the third tranche of invoices covering the years 2006–2009 is expected to be received in March 2021, with Capital Power in turn invoicing the appropriate parties for their respective shares along similar timelines. Payment and recovery pertaining to the second and third tranches of invoices is to occur in the first half of 2021, subject to the outcome of the dispute with the Alberta Balancing Pool (the Balancing Pool) relating to the Sundance C PPA LLR adjustments discussed below.

A brief AUC proceeding was also initiated at the end of November 2020 to consider whether a simple or compound interest approach should be applied to the LLR adjustments. On January 26, 2021, the AUC rendered a decision in which it ordered the use of simple interest, aligning with the approach reflected in the AESO's issued invoices.

To reflect the current invoicing process, for the period ended December 31, 2020, the Company recorded gross amounts in trade and other receivables and in trade and other payables as compared to the net amount recorded as a provision previously. As at December 31, 2020, the Company has recorded $83 million in trade and other receivables and $92 million in trade and other payables pertaining to the LLR Proceeding based on invoices received and expectations of recovery from the appropriate parties. The trade and other receivables and trade and other payables balances reflect the Company's respective recovery and payment of the first tranche of invoices in December 2020.

The Balancing Pool is disputing its liability to make payment for the LLR adjustment invoices related to the Sundance C PPA, which amounts to a net potential exposure to Capital Power of approximately $25 million. The Company believes the various agreements governing the termination and transfer of the Sundance C PPA and related transmission agreements with the AESO had the effect of transferring all past liabilities for the Sundance C PPA to the Balancing Pool. Capital Power has therefore filed a statement of claim at the Alberta Court of Queen's Bench on January 11, 2021 against the Balancing Pool, the Province of Alberta and the AESO in which it is seeking, among other relief, recovery from the Balancing Pool and the Province of Alberta of all amounts Capital Power is compelled to pay to the AESO on account of the LLR adjustment invoices relating to the Sundance C PPA as well as interest and legal costs, including the portion invoiced to the Balancing Pool but not received by the Company pertaining to the first tranche of invoices. Capital Power expects to ultimately realize the full amount of gross receivables related to the line losses upon resolution of the dispute before the Court.

34. Commitments and contingencies, continued:

(d) The Company has contingent consideration payable upon reaching specified milestones in connection with the development sites acquired in connection with the acquisition of Element Power US, LLC in 2014. As at December 31, 2020, contingent consideration of $5 million (US$4 million) (2019 – $5 million (US$4 million)) is recorded in non-current other liabilities. The valuation model for contingent consideration is based on the present value of the expected payment discounted using a risk-adjusted discount rate of 5% (2019 – 8%). The expected payment is determined by considering the possible scenarios for the development sites reaching specified milestones, the amount to be paid under each scenario and the probability of each scenario.

(e) The Company and its subsidiaries are subject to various legal claims that arise in the normal course of business. Management believes that the aggregate contingent liability of the Company arising from these claims is immaterial and therefore no provision has been made.

35. Guarantees:

The Company, through its subsidiary CPLP, has issued letters of credit of $268 million (2019 – $239 million) to meet the credit requirements of energy market participants, to meet conditions of certain service agreements and to satisfy legislated reclamation requirements.

36. Segment information:

The Company operates in one reportable business segment involved in the operation of electrical generation facilities within Canada (Alberta, British Columbia and Ontario) and in the U.S. (North Carolina, New Mexico, Kansas, Alabama, Arizona, North Dakota, Illinois and Texas), as this is how management assesses performance and determines resource allocations. The Company also holds a portfolio of wind and solar development sites in the U.S. and Canada.

The Company's results from operations within each geographic area are:

	Year ended December 31, 2020				Year ended December 31, 2019			
	Canada	**U.S.**	**Inter-area eliminations**	**Total**	Canada	U.S.	Inter-area eliminations	Total
Revenues – external	**$ 1,473**	**$ 318**	**$ –**	**$ 1,791**	$ 1,221	$ 492	$ –	$ 1,713
Revenues – inter-area	**5**	**1**	**(6)**	**–**	24	6	(30)	–
Other income	**58**	**88**	**–**	**146**	193	57	–	250
Total revenues and other income	**$ 1,536**	**$ 407**	**$ (6)**	**$ 1,937**	$ 1,438	$ 555	$ (30)	$ 1,963

	As at December 31, 2020			As at December 31, 2019		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Property, plant and equipment	**$ 4,417**	**$ 1,681**	**$ 6,098**	$ 4,555	$ 1,534	$ 6,089
Right-of-use assets (note 17)	**60**	**69**	**129**	61	34	95
Intangible assets and goodwill	**637**	**136**	**773**	650	145	795
Other assets	**37**	**–**	**37**	53	–	53
	$ 5,151	**$ 1,886**	**$ 7,037**	$ 5,319	$ 1,713	$ 7,032

36. Segment information, continued:

The Company's revenues and other income from contracts with customers are disaggregated by major type of revenues and operational groupings of revenues:

	Year ended December 31, 2020						
	Alberta Commercial	Alberta Contracted	Ontario and British Columbia Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 573	$ 44	$ 345	$ 205	$ 1,167	$ 597	$ 1,764
Emission credit revenues	27	–	–	10	37	(10)	27
Total revenues[1]	$ 600	$ 44	$ 345	$ 215	$ 1,204	$ 587	$ 1,791

[1] *Included within trade and other receivables, as at December 31, 2020, were amounts related to contracts with customers of $132 million.*

	Year ended December 31, 2019						
	Alberta Commercial	Alberta Contracted	Ontario and British Columbia Contracted	U.S. Contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 604	$ 9	$ 249	$ 185	$ 1,047	$ 617	$ 1,664
Emission credit revenues	23	–	–	8	31	18	49
Total revenues[2]	$ 627	$ 9	$ 249	$ 193	$ 1,078	$ 635	$ 1,713

[2] *Included within trade and other receivables, as at December 31, 2019, were amounts related to contracts with customers of $109 million.*

37. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

2020 GRI and SASB Index

The Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) Index provides details on our Company's sustainability performance in accordance with the international GRI Standards framework and SASB Standards.

GRI 102: General Disclosures

Disclosure Number	Disclosure Title	2020 Response
Organizational Profile		
102-1	Name of organization	Capital Power
102-2	Activities, brands, products and services	We build, own and operate high-quality, utility-scale generation facilities, which include renewables such as wind, solar and waste heat, and thermal such as natural gas and coal. We have also made significant investments in carbon capture and utilization to reduce carbon impacts and are committed to be off coal in 2023. We believe that creating a non-emitting, reliable and affordable grid of the future will require an "all of the above" approach; a significant build-out of renewables, shaped intraday with batteries and interday by decarbonized natural gas. Our investment in reliable, affordable and flexible natural gas generation facilitates greater renewable penetration, and with emerging carbon reduction technology, we believe that our natural gas strategy will contribute to a net carbon neutral future. Capital Power 2020 Integrated Annual Report > Company Overview > p. 3
102-3	Location of headquarters	Edmonton, Alberta, Canada
102-4	Location of operations	Capital Power has operations in Canada and the United States. Website > Operations
102-5	Ownership and legal form	Capital Power is publicly traded on the Toronto Stock Exchange under the symbol CPX. The company's power generation operations and assets are owned by Capital Power L.P. (CPLP) and Capital Power (US Holdings) Inc., both wholly owned subsidiaries of the Company.
102-6	Markets served	As of December 31, 2020, Capital Power is a growth-oriented North American power producer headquartered in Edmonton, Alberta. The Company develops, acquires, owns and operates power generation facilities using a variety of energy sources. Capital Power owns over 6,500 megawatts (MW) of power generation capacity at 28 facilities across North America. Approximately 425 MW of owned renewable generation capacity and 560 MW of incremental natural gas combined cycle capacity, from the repowering of Genesee 1 and 2, is in advanced development in Alberta and North Carolina. Capital Power owns approximately 2,600 MW of power generation capacity in Alberta, with ownership interests in nine facilities. As of January 1, 2021, the majority of the power generated by the company's Alberta generation facilities in which it owns an interest is sold on a merchant, or non-contracted, basis into energy markets as part of Capital Power's portfolio optimization activities. Capital Power sells some of the power generated by its Alberta power plants, and all of the power generated by its power plants outside of Alberta, on a contracted basis to arm's length third parties. As part of its growth strategy, Capital Power continually seeks opportunities to acquire or develop contracted, larger-scale, natural gas-fired and renewable power generation facilities in Alberta, the rest of Canada and the U.S., and has focused its merchant power business on Alberta. Capital Power 2020 Integrated Annual Report > Company Overview > p. 3
102-7	Scale of organization	Total number of employees: 827 Total number of facilities: 28 Net sales: $1.790 billion Total capitalization: • Debt: $3.552 billion • Equity: $2.926 billion Power generation capacity: 6,500 MW Capital Power 2020 Integrated Annual Report > By the Numbers > p. 3

Disclosure Number	Disclosure Title	2020 Response
Organizational Profile		

102-8 — Information on employees and other workers

Number of temporary and permanent employees by gender

Permanent employees

- Male: 594
- Female: 192

Temporary employees

- Male: 27
- Female: 14

Total number of employees by employment contract

	Permanent	Temporary	Total permanent & temporary
Canada	641	33	674
U.S.	145	8	153
Total U.S. & Canada	786	41	827

Number of full-time & part-time employees by gender

Full-time employees

- Male: 608
- Female: 185

Part-time employees

- Male: 13
- Female: 21

The majority of work is performed by employees of Capital Power with the exception of facility shutdowns; generation of electricity is also performed by our employees.

Data was gathered on December 31, 2020, using our People Service IS System. It includes all permanent employees, temporary employees, casual employees and employees on maternity/parental leave. It excludes pensioners, Board members and employees on long-term disability (LTD). Casual employees are included in the part-time temporary category.

Disclosure Number	Disclosure Title	2020 Response
Organizational Profile		
102-9	Supply chain	Capital Power's Supply Chain Management (SCM) team supports all aspects of the company's procurement and contracting efforts with the exception of fuel gas, legal and commodity trading. Suppliers range from original equipment manufacturers (OEMs) (turbines, HRSGs, control systems, solar modules, office software, etc.) to fuel suppliers (wood waste, coal, tire-derived fuel, etc.) to service providers (maintenance services, office cleaning, snow plowing, office support) to large engineering, procurement and construction (EPC) contracts. Values range from a few thousand to hundreds of millions of dollars with local to international scope. The total number of suppliers engaged by an organization and the estimated number of suppliers throughout the supply chain: 2,244 • The geographic location of suppliers: • Spend in CA – $288,000,000 CAD (44%) • Spend in U.S. – $372,000,000 CAD (56%) • Outside North America – $1,800,000 CAD (<1%) • Total spend in same state/province as Capital Power site (note, included Texas due to Buckthorn acquisition): • Canada (AB/BC/ON) – $256,927,000 CAD • 89% of Total CA spend • U.S. (AL/AZ/IL/KS/MA/NC/ND/NM/TX) – $192,043,000 CAD • 52% of U.S. total • Total – $448,970,000 CAD (68% of all $ spent) • The estimated monetary value of payments made to suppliers: • 2020 Total – $662,270,000 CAD • 2019 Total – $874,885,000 CAD The significant majority of Capital Power's supply chain entails tangible product supply with a minor component that entails direct labour efforts which occur at our operating facilities.
102-10	Significant changes to the organization and its supply chain	In June 2020, Capital Power announced that, subject to successful permitting and receipt of regulatory approvals, it is moving forward with the third phase of the Whitla Wind facility in 40 Mile County, Alberta, which will add 54 MW to the Phase 2 expansion and the overall facility output. Construction efforts on Phase 2 began in July of 2020 and will continue through December 2021. On April 1, 2020, Capital Power acquired 100% ownership of Buckthorn Wind, a 101 MW wind facility located in Erath County, Texas, marking our first Texas-based facility. Capital Power opened its first operating facility in Illinois with the successful completion of the 150 MW Cardinal Point Wind facility in McDonough and Warren counties. In 2020, Capital Power announced it will be moving ahead with 200 MW of solar projects in Alberta and North Carolina, marking a significant move into solar power and expanding our presence in North Carolina. Supply chain support remains centralized in Edmonton, Alberta.
102-11	Precautionary Principle or approach	When any Canadian statutory decision maker, court or tribunal applies the Precautionary Principle in making its determination, we consider this principle in the conduct of our activities in like circumstances. The Precautionary Principle says that when an activity raises threats to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.

Disclosure Number	Disclosure Title	2020 Response
Organizational Profile		
102-12	External initiatives	Highlights and initiatives undertaken in 2020: • NAIT Boreal Research Institute – 2020 marked the fourth year of a five-year partnership to conduct research on the efficacy of various reclamation strategies at our Genesee Generating Station Mine • Peregrine Falcon Monitoring Initiative – Our Genesee Generating Station is an active nesting site and has been part of the recovery and maintenance of peregrine falcon populations in Alberta since the early 1990s. Since the early 2000s, we have shared live camera footage of the falcon nest with the Alberta Conservation Association (ACA) for use alongside their various camera feeds for the members of the public to enjoy • Alberta Conservation Association – Capital Power has partnered with the Alberta Conservation Association for the last three years to release pheasants for hunting • TELUS World of Science Wind Exhibition – In 2020, Capital Power sponsored the Wind Turbine Exhibit at the TELUS World of Science in Edmonton, allowing the public to learn about wind energy generation • University of Alberta Robinson Fayek Research – Since 2012, Capital Power has provided annual funding and support for Dr. Robinson Fayek's research, development and application of fuzzy logic and fuzzy hybrid modelling techniques for intelligent decision support for the construction industry • Energy Futures Lab 2.0 – Capital Power is a funding partner, helping to develop and create our sustainable energy future. The Lab is focused on building the energy system the future requires of us – something that is sustainable for the environment and that creates jobs in Alberta's resource-based economy. The Lab is about bringing together industry, government, universities, First Nations and NGOs to find real pragmatic solutions that enable energy system transformation. • Alberta Hunting Education Instructors Association (AHEIA) – The AHEIA has been managing public access for hunting on Capital Power land at Genesee for more than 15 years, enabling managed access to Capital Power's extensive land base. Each fall, Capital Power opens some of its land for low-velocity hunting to hunt deer, elk and moose living on the property. Low-velocity hunting uses primitive weapons, including black powder rifles, archery and shotguns. • Pembina Institute – Capital Power provides input on a variety of sustainability research. In 2020, we provided input on trends related to sustainable finance. • NYU Stern – Capital Power provided input to the research paper titled "Using Return on Sustainability Investment (ROSI) Framework to Value Accelerated Decarbonization" in the Journal of Applied Corporate Finance (Spring 2020) • City of Edmonton Recover Initiative – In 2020, Capital Power became a member of the Catalyst Committee, helping to develop, refine and activate pilot community initiatives focusing on connections with the land and others to build healthier communities and safe, vibrant public spaces

Disclosure Number	Disclosure Title	2020 Response
Organizational Profile		
102-13	Membership of associations	Capital Power maintains organizational-level memberships in the following Canadian and American associations: Environment • Canadian Clean Power Coalition • International Emissions Trading Association • Business Council for Sustainable Energy • Business Renewables Center • American Wind Energy Association • Western Power Trading Forum • Renewables Northwest • Mid-Atlantic Renewable Energy Coalition (MAREC) • Clean Grid Alliance • Clean Energy Group • Excellence in Corporate Environmental Leadership • Ontario Energy Council • Clean Energy BC • Solar Energy Industry Association • Solar Power International • Canadian Renewable Energy Association • American Council on Renewable Energy • Alberta Chamber of Resources Social • Catalyst • Equal by 30 • Boston College Center for Corporate Citizenship • Construction Owners Association of Alberta • University of Alberta Construction Innovation Centre Governance • Independent Power Producers Society of Alberta • Association of Power Producers of Ontario • Canadian Electricity Association • Canadian American Business Council • Edmonton Chamber of Commerce • Corporate Ethics Management Council, Conference Board of Canada • American Public Power Association • Advanced Power Alliance • Excel Partnership • Canadian Business for Social Responsibility • Business Ethics Leadership Alliance • Edmonton Integrity Network • Corporate Ethics Intelligence

Disclosure Number	Disclosure Title	2020 Response
Strategy		
102-14	Statement from senior decision-maker	Capital Power 2020 Integrated Annual Report > Joint Board Chair and CEO Letter > pp. 4–5
102-15	Key impacts, risks and opportunities	Through our enterprise risk management (ERM) process, we identify, assess, categorize, respond to, report on and monitor the company's top risks to senior leaders and the Board of Directors along with details of the risk assessments and corresponding management plans. A team within our finance department manages the ERM process and works to foster and expand a risk-aware culture aimed at minimizing risk exposures and protecting shareholder value. A more detailed discussion of our risk management approach, impacts, risks and opportunities is described in the Business Report in Capital Power's 2020 Integrated Annual Report (starting on page 50). The top sustainability risks ranked from our 2020 ERM process were climate change transitional risks. The potential impact to our thermal portfolio could be significant should deep decarbonization initiatives continue and environmental policies and regulations for greenhouse gas emissions and water usage become more stringent. With the announcement we will be off coal in 2023, these risks have been lowered. The transition to lower-carbon generation will also create opportunities for Capital Power. These include increased opportunities across North America for investments in renewable generating capacity, as well as in efficient natural gas generation to provide peaking and backstop services to support renewable integration. Capital Power is also investing to support commercial demonstration and deployment of carbon conversion and utilization and hydrogen technologies, which are expected to become an increasingly important part of global pathways to decarbonization. 2020 Climate Change Disclosure Report > pp. 11–17 Capital Power 2020 Integrated Annual Report > Risk Management > pp. 18–19

Disclosure Number	Disclosure Title	2020 Response
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	Capital Power is committed to maintaining a culture focused on trust and respect, with integrity being viewed as one of our most important and valuable assets. The foundation of this culture is our *Ethics Policy*, which applies to our Board of Directors and all Capital Power employees, as well as consultants and contractors. Compliance with this policy is a material condition of ongoing employment and relationship with Capital Power. ***Ethics Policy*:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. Topics addressed in further detail in the *Ethics Policy* include: • Accounting and auditing concerns; • Fraud; • Maintaining confidentiality; • Social media; • Theft and inappropriate use of Company assets and resources; • Conflict of interest; and • How to report ethics concerns and steps for investigating those concerns. Senior management creates, cultivates, models and sustains a work environment that reinforces the importance of ethical and legal behaviour. All employees, including members of the Executive Team, Board and agents, are required to certify that they have received, read, understand and will comply with the Policy when hired or when entering into an agency relationship with Capital Power. Ethics training is conducted no less than biennially. We expect any company or individual providing services to or on behalf of Capital Power to demonstrate strong ethical values and standards of behaviour. They must either agree to comply with our *Ethics Policy* or certify in writing that they have a binding policy that contains all the elements of our *Ethics Policy*. Our *Ethics Policy* is: • Reviewed and updated annually by our Chief Compliance Officer, unless a law, regulation or internal guidance or policy necessitates an earlier update; • Updated by the Chief Compliance Officer under the direction of the SVP & Chief Legal Officer, who is responsible for the *Ethics Policy* elements; and • Reviewed and approved by Capital Power's Audit Committee and Board. **Our Values** Our business is rooted deeply in our values, which form the foundation of our culture, driving everything we do. *Committed to safety* We maintain the highest standards of safety for all our employees and the communities in which we work. Our safety campaign, *Zero Means Everything*, is a core value of our culture and operations, and all employees know they have the right to get home safe and healthy every day. *Work together as a diverse and inclusive team* Our team is made up of committed and talented people from diverse backgrounds. We respect each other and are committed to maintaining a supportive and inclusive environment for all employees to thrive and deliver exceptional results.

Disclosure Number	Disclosure Title	2020 Response
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	*Accountable to our stakeholders* We are accountable for our work and the impacts it has. We act with integrity, pursue opportunities to engage and give back, and always strive to do what is right by all our stakeholders, including investors, local communities and employees. *Deliver excellence* We promote a culture of excellence driven by our passion for what we do. We are excited about the future of power and the role we play in the transition to a low-carbon economy. We strive to execute our strategy in a way that creates value for our shareholders and neighbouring communities.
102-17	Mechanisms for advice and concerns about ethics	As part of our employee education program, training is provided to all employees on how to report an ethics concern. The program: • Provides direction on how and when to report a concern; • Ensures consistency in the filing and handling of ethics complaints; and • Communicates the importance of maintaining confidentiality and our *No Retaliation Policy*. Training on how to report a concern is provided to employees when hired and in our biennial ethics training program. **Grievance Mechanisms:** As outlined in our *Ethics Policy*, Capital Power provides a supportive and positive work environment, and we provide a number of channels so that employees can comfortably and safely raise any concerns they may have related to any ethical or unlawful concern, including discrimination, equal opportunity, harassment, sexual harassment and/or workplace violence. These channels include: Capital Power's Integrity Hotline; a direct supervisor; Capital Power's Chief Compliance Officer; an employee's People Services Business Partner or Senior Manager, Employee Relations; any member of Capital Power's Executive Team; or either the Chair of Capital Power's Audit Committee or the Chair of Capital Power's Board of Directors. Our Integrity Hotline is managed by a third party and is a confidential and anonymous communication channel for both our internal and external stakeholders, which includes our employees, to submit any concerns they may have about Capital Power. Through the hotline, anyone can submit ethical, legal, regulatory or accounting concerns in good faith without fear of retaliation. On security-related issues, we have a separate security incident reporting system where employees or contractors can bring forward any concerns they may have. Discrimination, harassment, sexual harassment and workplace violence is addressed in our *Respectful Workplace Policy*. As part of our respectful workplace, Capital Power does not tolerate, and is committed to eliminating, the hazards of workplace discrimination, harassment, sexual harassment and violence. Capital Power will investigate and take corrective action to address all incidents of workplace discrimination, harassment, sexual harassment and violence. We take pride in providing a safe, supportive, fair and equitable workplace and treat others with dignity and encourage open communication, trust and mutual respect by: • Promoting and maintaining a common understanding of the expectations and behaviours considered appropriate in our workplaces; and • Taking action to prevent and/or address incidents of inappropriate behaviour, discrimination and harassment wherever our business is conducted. We do not tolerate and will investigate and take corrective action to address all incidents of workplace discrimination, harassment, sexual harassment and workplace violence. Capital Power 2020 Integrated Annual Report > Ethics and Integrity > pp. 16–17

Disclosure Number	Disclosure Title	2020 Response
Governance		
102-18	Governance structure	We recognize the importance of good governance to support our ability to effectively address risks and create long-term shareholder value and that includes being responsible for decision making on economic, environmental and social topics. Our Board of Directors oversees the creation and execution of Capital Power's strategy, long-term plan (LTP), and the identification, management and mitigation of risks to the strategy through our enterprise risk management (ERM) system. **Composition of the Board of Directors** The company's directors are very experienced, high-calibre business leaders with diverse, relevant skills and competencies. More comprehensive analysis of the company's approach to corporate governance matters can be found in the 2021 Management Proxy Circular (to be published March 2021). Capital Power 2020 Integrated Annual Report > Corporate Governance > p. 13 Corporate Governance – Capital Power
102-19	Delegating authority	Board Terms of Reference Current committee membership can be viewed here. Governance specific to climate change matters is described in more detail in our 2020 Climate Change Disclosure Report, pp. 11–17 Capital Power 2020 Integrated Annual Report > A Discussion with Our Chief Sustainability Officer and Chief Financial Officer > pp.10–11 Capital Power 2020 Integrated Annual Report > Managing Our Business Responsibly > pp.13–15
102-20	Executive-level responsibility for economic, environmental and social topics	In 2018, Capital Power appointed Kathryn (Kate) Chisholm, Q.C., Senior Vice President, Chief Legal & Sustainability Officer, with responsibility for economic, environmental and social topics. In this position, Ms. Chisholm reports directly to the CEO. The Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer (formerly the Chief Legal & Sustainability Officer (CLSO)) is responsible for overseeing Capital Power's overall sustainability strategy, providing coordination at the highest level. In addition to providing strategic leadership, the Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer provides oversight regarding the communication and coordination of sustainability issues and ensures alignment to the corporate strategy. The Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer communicates with the Board, management, shareholders, customers, employees and other stakeholders to address sustainability matters. Capital Power 2020 Integrated Annual Report > A Discussion with Our Chief Sustainability Officer and Chief Financial Officer > pp.10–11 Leadership – Capital Power

Disclosure Number	Disclosure Title	2020 Response
Governance		
102-21	Consulting stakeholders on economic, environmental and social topics	In 2020, the Chair of our Board and Chair of the People, Culture and Governance (PCG) Committee (formerly the CGCN Committee) met virtually with institutional investors as part of the Board outreach program. Key themes were environmental, social and governance (ESG) performance reporting, Board oversight on Capital Power's capital allocation and strategy, CEO succession and organizational changes to the Executive Team, Board diversity, share price performance and dividend growth, executive compensation, and our involvement in C2CNT. Our 2020 Integrated Annual Report and enhanced 2020 Climate Change Disclosure Report are examples of how we act on shareholder feedback. The Board reviews the corporate risk register biannually, conducts regular site visits and consults regularly with shareholders for first-hand perspectives of their key topics of interest. The HSE Committee of the Board also recommends key operational performance metrics and provide guidance to the Board in cases of material events. The Board's work sets the tone for management in driving the behaviours and attitudes needed to support corporate-wide alignment on a strong sustainability culture. The Board has the responsibility to take all reasonable steps to: • Ensure the corporation has in place effective communication processes with shareholders and major stakeholders; • With the assistance of the Audit Committee, ensure that the financial performance of the corporation is adequately reported to the shareholders, other security holders and regulators on a timely and regular basis; • On the recommendation of the Audit Committee, ensure the financial results are reported fairly and in accordance with generally accepted accounting principles; and • Ensure the timely reporting of any other developments that have a significant and material impact on the value of the corporation. ***Shareholder Engagement Policy*** The Board will continue to communicate and engage with Capital Power's shareholders through Capital Power's management proxy circular, annual report, annual information form and other public disclosure, and encourages all shareholders to attend Capital Power's annual meeting of shareholders. In addition, the Board believes in constructive dialogue to continually improve its performance on behalf of shareholders and will regularly reach out to our major shareholders to hear their feedback regarding our governance and compensation practices. The annual corporate planning/strategy process is completed with extensive direction and input from the Executive Team and Board based on their understanding of climate change risks, impacts and opportunities for our business. More information can be found in the 2021 Management Proxy Circular (to be published March 2021). Current committee membership can be viewed here. Capital Power 2020 Integrated Annual Report > Corporate Governance > p. 13
102-22	Composition of the highest governance body and its committees	**Composition of the Board of Directors** The company's directors are very experienced, high-calibre business leaders with diverse, relevant skills and competencies. Comprehensive analysis of the company's approach to corporate governance matters is included in the 2021 Management Proxy Circular (to be published March 2021).
102-23	Chair of the highest governance body	Our Board Chair, Donald Lowry, is not an executive officer. Board Structure
102-24	Nominating and selecting the highest governance body	For the process of nominating and shareholder/stakeholder involvement, refer to the 2021 Management Proxy Circular (to be published in March 2021).

Disclosure Number	Disclosure Title	2020 Response
Governance		
102-25	Conflicts of interest	Cross-board membership board interlocks, compensation and activities are described in the 2021 Management Proxy Circular (to be published in March 2021). Conflicts are noted in the 2020 Annual Information Form, pp. 86–87
102-26	Role of highest governance body in setting purpose, values and strategy	Under the Board's advisement, the Chief Executive Officer (CEO) is ultimately responsible for climate-related issues as the head of the Executive Team. The Executive Team as a whole is responsible for addressing climate change-related issues, assessing implications, risks and opportunities for Capital Power, and ensuring our strategy is sustainable. The Chief Sustainability Officer (Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer), Chief Financial Officer (CFO), Chief Operating Officer (Senior Vice President, Operations, Engineering & Construction), Senior Vice President, Business Development and Commercial Services, Senior Vice President, Chief Legal Officer, and the Senior Vice President, People, Culture and Technology, are all members of Capital Power's Executive Team and report directly to the CEO. The annual corporate planning/strategy process is completed with extensive direction and input from the Executive Team and Board based on their understanding of climate change risks, impacts and opportunities for our business. The Board reviews and approves Capital Power's strategic plan, climate change disclosure reports (aligned with the TCFD recommendations) and the Integrated Annual Report (which includes financial and ESG/sustainability information). Climate-related risks are monitored and managed by the CEO, with specific input from the Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer, and the Executive Team. The CEO, with support from the Chief Sustainability Officer (Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer), provides quarterly sustainability updates (including climate-related issues) to the Board. Members of the Executive Team hold the following specific responsibilities with regards to assessing, monitoring and developing recommendations with respect to climate-related issues in their respective areas: • **The Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer** leads Capital Power's strategic and sustainability planning and reporting, market forecasting and analytics, regulatory, government relations, stakeholder engagement, community investment and communications functions, ensuring ESG is embedded as part of the company's strategy and decision-making processes. Part of her responsibilities are our long-term forecast and scenario-builds (which consider climate change-related issues along with a range of market, policy, technology and commercial considerations), which are used for financial planning and investment decisions. These scenarios are developed and regularly reviewed and refined by the market assessment and forecast team, which reports to the Chief Financial Officer (CFO). The Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer communicates with the Board, management, shareholders, customers, employees and other stakeholders to address sustainability matters. • **The Senior Vice President of Business Development and Commercial Services** is responsible for pursuing investment in renewables and low-carbon generation, and for our strategy relating to the creation and management of our carbon offsets and credit portfolio. • **The Chief Operating Officer (Senior Vice President, Operations, Engineering & Construction)** is responsible for the safe, efficient and reliable construction, operation and maintenance of all of Capital Power's generating facilities. With respect to climate change-related considerations, key responsibilities relate to environmental compliance, operational emissions, reporting to government on emissions, leading efforts to physically reduce emissions and continued optimization of fleet operations to reduce emissions.

Disclosure Number	Disclosure Title	2020 Response
Governance		
102-26	Role of highest governance body in setting purpose, values and strategy	• **The Chief Financial Officer (CFO)** is responsible for financial administration with respect to carbon taxes and offsets, disclosure, sustainable financial sustainability and integrity of the corporation. • **The Vice President of People, Culture and Technology (formerly Human Resources)** is responsible for developing a people strategy that ensures our people are ready for the future. We must attract, retain and engage a future-focused workforce that has the ability and agility to address sustainability matters, which include climate-related issues, human rights, equal opportunities, diversity, inclusion and equity, etc. Our people strategy supports the successful execution of our business strategy by hiring people with the right skills for our business now and in the future, strategic workforce planning to address our changing business, enabling employees and leaders to grow in the identified competencies related to ESG through training and development, and designing experiences and programs that engage our employees. • **The Chief Legal Officer** leads Capital Power's legal, ethics and compliance, internal audit, security and insurance efforts, and ensures that any matters are aligned to the corporate strategy, which includes environmental, social and governance (ESG) considerations and legal compliance. Senior management actively and continually assesses climate change-related issues as part of our ongoing review of various business, market, technical, operational, regulatory and policy, and strategy-related matters. Capital Power 2020 Integrated Annual Report > Corporate Governance > p. 13 2021 Management Proxy Circular (to be published March 2021)
102-27	Collective knowledge of highest governance body	The Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer provides a quarterly update to the Board regarding external relations and sustainability. New educational opportunities to enhance knowledge are provided to Board members regularly. For example, the People, Culture and Governance (PCG) Committee is sent such opportunities on a quarterly basis. Courses completed in 2020 include: • Leading Minds on Compensation • Managing Compensation Practices • Measuring Stakeholder Capitalism • ESG • Race in America – Corporate Diversity • Unconscious Bias • Board Oversight During COVID • Lessons in the Boardroom from COVID • The Future of Governance in Canada (ICD/TMX Committee) • The Changing Role of CEOs and Corporations in Society • Developments in the Evolution of ESG • Navigating the Economy and Pandemic Following the U.S. Election

Disclosure Number	Disclosure Title	2020 Response
Governance		
102-28	Evaluating the highest governance body's performance	The People, Culture and Governance (PCG) Committee is responsible for Board assessment, which involves assessing individual directors, committees, committee chairs, the Board Chair and overall Board effectiveness. Pursuant to the evaluation process, our ongoing Board and director assessments and evaluations involve: • Annual one-on-one meetings between the Chair of the Board and each director to identify focus areas for the Board and committees to work on in terms of improving corporate governance, preserving share value and enhancing accountability; these matters are discussed in camera at every meeting of the PCG Committee and/or the Board; • Annual director self-evaluations (to be conducted in conjunction with the annual one-on-one meetings held by the Chair); • Peer-to-peer evaluations for all directors, which must be conducted by an independent third party every three to five years; and • Annual Board and committee effectiveness surveys; the Board and each committee do a self-evaluation (in accordance with their terms of reference), which involves in-camera discussions and one-on-one interviews with each committee chair by the Chair of the PCG Committee. The Chair of the Board also discusses Board and committee performance with members of senior management. In the fourth quarter of 2020, the directors participated in Board and committee evaluations, which were submitted anonymously, and the aggregate compiled results were provided to the chairs of the Board and the PCG Committee. Finally, the Chair of the PCG Committee ("PCG Chair") conducted one-on-one interviews with each director and members of senior management in early 2021. Although not anonymous, the one-on-one interviews between the PCG Chair and each director allowed the PCG Chair to have a frank discussion about key areas of interest, including director performance, continued tenure, and areas of focus and personal development for the coming year. The results of the annual self-evaluation, questionnaire and interviews were discussed by the PCG Committee and the Board at the February 2021 meeting. The Board addresses all areas for improvement in Board effectiveness that are identified through our assessment processes.
102-29	Identifying and managing economic, environmental and social impacts	Capital Power has historically disclosed how issues relating to greenhouse gas (GHG) emissions and climate change-related matters are managed and assessed, along with other business risks, in our Management's Discussion & Analysis (MD&A) reports, our Annual Information Form (AIF) reports and our Integrated Annual Report as summarized below. The Board of Directors oversees the creation and execution of Capital Power's strategy, as well as the identification, management and mitigation of risks to the strategy throughout the enterprise risk management (ERM) system. In addition, the Board's strategic mandate expressly includes the obligation to consider "the opportunities, risks and sustainability of the business" and to receive reports from management "on matters relating to, among others, ethical conduct, human rights, diversity and inclusion, and other sustainability matters." The Board has established a Health, Safety and Environment Committee to, among other things, monitor and assess the effectiveness of Capital Power's environmental stewardship, including the environmental impact of our operations, and review our goals, compliance and policies in this respect, including matters relating to GHG and climate change. Stakeholder consultation is an ongoing activity, and feedback is collected and considered as part of our ongoing review by the Executive Team and the Board regarding various ESG factors, which include, but are not limited to, business, market, technical, operational, regulatory, community, Indigenous and policy, and strategy-related matters. 2020 Climate Change Disclosure Report > Our Reporting > p. 10

Disclosure Number	Disclosure Title	2020 Response
Governance		
102-30	Effectiveness of risk management processes	For more information on the Board's role in assessing the effectiveness of the organization's risk management processes related to economic, environmental and social topics, please refer to disclosure 102-28 and our 2021 Management Proxy Circular (to be published March 2021). In 2020, the Board of Directors met with greater frequency to stay apprised of the COVID-19 pandemic and its impacts.
102-31	Review of economic, environmental and social topics	The Executive Team and the Board monitor and assess ESG issues on a quarterly basis and on an as-needed basis, which was more frequent in 2020 due to impacts related to COVID-19. Various ESG factors include (but are not limited to) the following: business, market, technical, operational, regulatory, community, Indigenous and policy, and strategy-related matters.
102-32	Highest governance body's role in sustainability reporting	Our 2020 Integrated Annual Report, including the new sustainability KPIs, was reviewed and approved by the Board of Directors prior to publication. The Board of Directors also reviews and approves all annual disclosures, including the financial statements, Business Report, AIF, TCFD, Integrated Annual Report and Management Proxy Circular.
102-33	Communicating critical concerns	Capital Power maintains frequent dialogue with the Board. With respect to critical concerns, Capital Power meets quarterly through regularly scheduled meetings to discuss issues, and/or as appropriate, based on the nature of the issue. The Audit Committee receives quarterly reports and the HSE Committee meets three times per year, and at each meeting they receive HSE quarterly status and environmental regulatory update reports as well as verbal operations reports.
102-34	Nature and total number of critical concerns	Capital Power meets quarterly through regularly scheduled meetings to discuss issues, and/or as appropriate, based on the nature of the issue. We do not disclose what is discussed in Board meetings due to confidentiality.
102-35	Remuneration policies	The Board has established a People, Culture and Governance (PCG) Committee responsible for, among other matters, reviewing and recommending to the Board the remuneration targets and framework. At Capital Power, executive remuneration is linked to social and environmental targets, including worker safety, employee retention, diverse and inclusive workplace, and climate change initiatives like sustainable sourcing and water management plans. These targets cascade throughout Capital Power. The targets and remuneration framework are reviewed and approved annually by the Board. For more information, please refer to the 2021 Management Proxy Circular (to be published March 2021).
102-36	Process for determining remuneration	Our director remuneration (compensation) is designed to attract and retain the most qualified people to serve on our Board. It recognizes the size and complexity of Capital Power. Compensation goes through a third-party review and specific details regarding this process will be provided in the Management Proxy Circular that will be published in March 2021. For more information on the process for determining remuneration, please refer to the 2021 Management Proxy Circular (to be published March 2021).
102-37	Stakeholders' involvement in remuneration	Shareholders vote, on an advisory basis, on our approach to executive compensation, which is included in the Proxy. More information on our approach can be found in the 2021 Management Proxy Circular after it is released in March 2021. The vote at the 2020 AGM was 92.8% for and 7.2% against.
102-38	Annual total compensation ratio	23.5:1 (CEO/Employees)
102-39	Percentage increase in annual total compensation ratio	11.2:1 (CEO/Employees) This ratio considers permanent full- and part-time employees (annualized to full-time equivalent) in Canada and the United States, and annual total compensation includes the following elements in the reporting year: base salary, actual short-term incentive paid and actual long-term incentive granted.

Disclosure Number	Disclosure Title	2020 Response
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholders include shareholders, local community members, Indigenous peoples, employees, contractors, suppliers, regulatory agencies, environmental organizations and government (federal, state/province, local) representatives. Capital Power 2020 Integrated Annual Report > 2020 Stakeholder Summary Table > pp. 48–49
102-41	Collective bargaining agreements	Capital Power respects freedom of association and the rights of employees to come together to promote, pursue and defend common interests. Capital Power respects freedom of association in the communities where we operate. Capital Power respects collective bargaining agreements as defined by the International Labour Organization and as such in the 1998 ILO Declaration on Fundamental Principles and Rights at Work where "all negotiations which take place between a worker's organization and a group of employees on: 1. determining working conditions and terms of employment, 2. regulating between employers and workers, and/or 3. regulating relations between employers or their organizations and a workers' organization." As such, Capital Power's collective bargaining agreements are negotiated using an interest-based approach and using market data to support compensation decisions. Capital Power maintains good working relationships with all its unions. Capital Power acknowledges that the unions are a key stakeholder in our business and when working together can become a competitive advantage. Capital Power has four collective agreements in Canada; three collective agreements are in Alberta and the other collective agreement is in British Columbia. UNIFOR 829 represents the power engineers employees working at our Genesee facility. IBEW 1007 represents the maintenance employees at our Genesee facility. CSU 52 represents office staff in Edmonton and at our Genesee facility. UNIFOR 1123 represents maintenance employees and power engineers out at our Island Generation facility. Union staff represent a total of 36% of our Canadian workforce and 30% of our total workforce.
102-42	Identifying and selecting stakeholders	We systematically identify stakeholders through community research, consultation with subject matter experts, input from regulators or regulatory requirements, requests for engagement directly from stakeholders, informal discussion with stakeholders and other methods. Capital Power 2020 Integrated Annual Report > Stakeholder Engagement > pp. 45–49
102-43	Approach to stakeholder engagement	We solicit feedback from stakeholders through a variety of mechanisms, including bilateral meetings and participation in stakeholder networks, outreach programs, webinars and partnerships on a wide variety of topics. Engaging with a diverse array of stakeholders – even those critical of our actions – is important, because it gives us a broader perspective on our approach and programs. Capital Power 2020 Integrated Annual Report > Stakeholder Engagement > pp. 45–49
102-44	Key topics and concerns raised	A breakdown of key topics and concerns raised by our stakeholders in 2020 can be found in the Stakeholder Engagement section of our 2020 Integrated Annual Report (pp. 45–49)

Disclosure Number	Disclosure Title	2020 Response
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Capital Power Corporation Capital Power 2020 Integrated Annual Report > Financial Statements > p. 111
102-46	Defining report content and topic boundaries	**Scope** The scope of this report highlights our company-wide environmental, economic, social and safety performance and goals from January 1, 2020, through December 31, 2020. We report only on assets that we operate (unless otherwise noted) and provide year-over-year trending where possible. Data from each plant represents the entire plant, not only our financial share of the operation, including: York Energy Centre (50/50 joint venture) and Genesee 1 and 2, whose plant capacity and output is sold under an Alberta Power Purchase Arrangement currently held by the Alberta Balancing Pool. Energy production and emissions data from Joffre and Shepard Energy Centre facilities is not included because we do not hold the operating permits. To overcome the challenge of needing to synthesize data from numerous jurisdictions, some of which have different reporting requirements, methods and standards, we have consolidated information where possible – for example, greenhouse gas emission data for our facilities in Canada and the United States. In other areas, information is presented separately or from a single jurisdiction. Greenhouse gases from our landfill gas and biomass facilities are reported separately in aggregate greenhouse gas emission totals or emission-intensity calculations. This approach aligns with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development). We aim to report in a manner that presents a holistic view of our business and shows the connection between our business strategy and our corporate sustainability initiatives. Building on our past reports, we aim to provide accurate and balanced information about our people, facilities and performance (including emissions), and our contributions to the communities in which we do business. All dollar figures are in Canadian funds. **Defining Materiality** An important aspect of defining content for this report was to identify the sustainability priorities for our business and stakeholders. Materiality, in the sustainability context used for this report, refers to the relative significance of environmental, social, governance and economic priorities and their impacts (both positive and negative) on our business and stakeholders. To help define the sustainability topics most urgent and relevant for our business, we initiated a comprehensive process in 2018 that included engaging expert sustainability consultants and undertaking surveys with key stakeholders. *Identifying our priority topics* As a first step, we referenced reporting guidelines and frameworks such as the Global Reporting Initiative (GRI) Standards and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, as well as those identified through non-profit industry organizations such as the Electric Power Research Institute (EPRI). We established a cross-functional Sustainability Committee, led by our Chief Sustainability Officer, which engaged directly with 110 individual stakeholders to help us define our priority topics. Twenty-six sustainability topics of potential relevance to Capital Power were identified through this review, four of which stood out as priorities: climate, innovation, supply chain and water. Our company's next materiality assessment is planned to be conducted in 2021. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12

Disclosure Number	Disclosure Title	2020 Response
Reporting Practice		
102-47	List of material topics	Capital Power conducted a comprehensive materiality assessment in 2018. Our most material topics are the following: • Water • Sustainable supply chain • Climate change • Innovation We plan to conduct our next materiality assessment in 2021. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
102-48	Restatements of information	We restated our 2019 innovation investment to $15 million to show spending within the 2019 calendar year instead of the cumulative spend to date at the end of 2019 of $33.7 million (GPS, C2CNT). Scope 3 emissions for 2019 have been restated from 2,553,214 tCO_2e to 1,478,228 tCO_2e, as a result of improved internal data collection and improved calculation assumptions and accuracy from engagement of a third party to calculate Scope 3 emissions after the GRI was published in 2020. As a result, material reductions in Scope 3 emissions calculations occurred in the Fuel and Energy (943,326 tCO_2e), Purchased Goods (111,319 tCO_2e) and Business Travel (20,411 tCO_2e) categories. In the Fuel and Energy category, the reduction resulted from more accurate emission factors being applied to coal, biomass (set to zero) and Alberta upstream natural gas supply. The accommodations emission factor for Business Travel was also updated and the accuracy of the Purchased Goods information was improved.
102-49	Changes in reporting	Not applicable
102-50	Reporting period	January 1, 2020, to December 31, 2020
102-51	Date of most recent report	The most recent Integrated Annual Report was released on February 19, 2021.
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Capital Power Corporate Headquarters 1200 – 10423 101 St. N.W. Edmonton, AB T5H 0E9 info@capitalpower.com www.capitalpower.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI Content Index	The GRI and SASB Content Index is included as part of Capital Power's 2020 integrated reporting suite.
102-56	External assurance	Capital Power received limited assurance from KPMG on selected 2020 indicators: • TRIF for corporate/operations • Community investment • Percentage of women in executive leadership positions • Total Scope 1 GHG emissions • GHG intensity • Investment in GPS and C2CNT Selected indicators contained within the report are indicated with a check mark. Our reporting is reviewed and approved by our Board of Directors. Capital Power 2020 Integrated Annual Report > Assurance Statement > p. 109

GRI 200: Economic

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 201: Economic Performance		
103-1	Explanation of the material topic and its Boundary	Information around economic value generated and distributed by the organization is a depiction of the cash inflows and outflows generated and incurred by the ongoing activities of Capital Power and are included in the key cash metrics that stakeholders use to assess our performance. We are committed to responsible corporate governance, which is central to our economic performance. The Governance section of our 2021 Management Proxy Circular (available March 2021) and our *Corporate Governance Policy* highlight our governance process. Additional discussion around economic performance can be found throughout the Business Report section of our Integrated Annual Report, which begins on page 50 within the 2020 report. 2020 Annual Information Form > pp. 24–51
103-2	The management approach and its components	Capital Power 2020 Integrated Annual Report > Business Report > p. 50
103-3	Evaluation of the management approach	Capital Power 2020 Integrated Annual Report > Business Report > Performance Overview > p. 51
201-1	Direct economic value generated and distributed (EVG&D)	**Economic value generated and distributed** *Direct economic value generated* Revenues and other income: 1,937 ($M) *Economic value distributed* Staff costs and employee benefits expense: 171 ($M) Payments to providers of capital: Interest paid: 137 ($M) Dividends paid: 242 ($M) Income taxes paid: 63 ($M) Other operating costs: 850 ($M) Community investments: 1.5 ($M) Capital Power 2020 Integrated Annual Report > Financial Statements > Statement of Changes in Equity > p. 123 Segmented revenues split between USA and Canada are included within the geographic segment disclosures in Note 36 of the financial statements on p. 183. Capital Power 2020 Integrated Annual Report > Financial Statements > p. 111
201-2	Financial implications and other risks and opportunities due to climate change	Climate-related financial risks are disclosed in the Business Report section of our 2020 Integrated Annual Report (p. 50) 2020 Climate Change Disclosure Report > pp. 18–26

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 201: Economic Performance		
201-3	Defined benefit plan obligations and other retirement plans	Capital Power employees hired prior to July 1, 2009, participate in the Local Authorities Pension Plan (LAPP), a multi-employer, contributory pension plan for employees of municipalities, hospitals and other public entities in Alberta, governed by the *Public Sector Pension Plans Act* (Alberta). No liability accrues to participating employers like Capital Power, as the plan is governed by the LAPP Corporation who manage liabilities through contributions collected from employers and plan participants. Employees hired after July 1, 2009, participate in a defined contribution arrangement, a registered pension plan for Canadian employees and a 401(k) for American employees, which do not amass liabilities by design. Certain Canadian employees are eligible to participate in the Supplemental Retirement Plan (SRP), a non-registered plan which provides pension benefits in excess of the maximum limits prescribed by the *Income Tax Act* (Canada). The plan is funded through general revenues of Capital Power on a pay-as-you-go basis. The defined benefits component of the SRP has an estimated liability of $31 million as of December 31, 2018. This retirement plan is governed by the Corporate Governance, Compensation & Nominating Committee of Capital Power's Board of Directors. Percentage of salary contributed by employee or employer: • LAPP – Employer contributes 9.39% up to the yearly maximum pensionable earnings (YMPE) and 13.84% above the YMPE. Employee contributes 8.39% up to YMPE and 12.84% over YMPE. • Defined Contribution Pension Plan (DC) – Employee/Employer each contribute 5% (in cases of <5 years of service), 6.5% (for 5–10 years of service), 8% (>10 years of service) • 401(k) (U.S. employees only) – Employee voluntary deferral, up to 7% employer match • Savings Plan (eligible employees only) – Employee voluntary deferral, up to 5% employer match Level of participation in retirement plans: • LAPP/DC – 100% – Mandatory participation (Canada) • 401(k) – 91% voluntary participation rate (U.S.) • Savings Plan – 74% voluntary participation rate (Canada)

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 204: Procurement Practices		
103-1	Explanation of the material topic and its Boundary	We are a major buyer in the geographic areas of our operating sites. Sourcing locally in these areas can have significant economic impacts on the surrounding communities, including Indigenous communities, by directly and indirectly supporting job creation and economic diversification. We generally consider that the boundaries of local sourcing are the province or state in which the facility is located. We are a major buyer in the geographic areas of our under-construction and operating sites. Benefits to Capital Power from supporting local businesses can include reduced cost arising from less-costly transport of goods and workers to our sites and reducing operational downtime by strengthened local capabilities, which also require less lead time for planned and unplanned repairs. In addition, our local sourcing improves economic well-being and creates employment opportunities in the communities where most of our employees live. Capital Power understands that economic sustainability includes more than local sourcing, although this is one important aspect.
103-2	The management approach and its components	Sustainable sourcing at Capital Power includes practices to improve the economic impact of our suppliers' business activities. These practices include non-cost-based selection criteria and a requirement for suppliers to follow internal or external standards relating to sustainable business practices. Sourcing is applicable to all purchases regardless of transaction dollar value, which maximizes the potential impact of sustainable sourcing requirements. The purpose of the management approach is to source suppliers and contractors that deliver optimal value to our operations while also providing economic benefits to jurisdictions we operate within. **Policies** • ***Health, Safety and Environment Policy*****:** This policy was updated in 2020 and states, "This *Health, Safety and Environment Policy* (the "Policy") is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner." The Policy includes the promotion of a zero-injury safety culture, including the promotion of environmental responsibility; compliance with all applicable laws and regulatory requirements; and proactive identification and management of environment-related risks. Every Capital Power employee and contractor is responsible for Capital Power's environmental performance and the health and safety of themselves and their fellow workers. Capital Power has established an integrated HSE management system (HSEMS) that is based upon ISO 45001:2018 and ISO 14001, Environmental Management Systems. The HSEMS applies to all Capital Power businesses and worksites. In 2020, we updated our HSEMS, making it easier for stakeholders at any level of the organization to understand how HSE is managed by the Company, their specific roles and responsibilities to HSE, and how to access specific HSE documents in an easy-to-use manner. • ***Ethics Policy*****:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*****:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 204: Procurement Practices		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*****:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. **Grievance Mechanisms:** Refer to 102-17 under "Grievance Mechanisms" Capital Power's approach uses a procurement process with selection criteria that include subjective areas that should generally give an advantage to local suppliers. In addition, Capital Power conducts supplier open houses in locations nearby to our large construction projects before start of construction in order to determine the range and capability of local suppliers.
103-3	Evaluation of the management approach	Capital Power is working toward an improved mechanism for evaluating the economic sustainability impacts of our procurement process. Implementation of the sustainable supply chain strategy's first phase began in 2019 and involved defining what sustainable supply chain means for Capital Power, determining responsible sourcing methods and mapping some existing initiatives in this space. Some of the work reviewed in 2020 includes determining redundancies and gaps with existing policies, standards and activities, and supplier-facing initiatives. We are working towards a more comprehensive supply chain sustainability program by the end of 2021.
204-1	Proportion of spending on local suppliers	The proportion of spending by Capital Power on local organizations during the reporting period was approximately 68%. Spend includes engineering, consulting, construction, maintenance, parts, equipment, software and plant inputs (i.e., chemicals, gases, non-commodity fuels and additives). Capital Power defines a "local organization" as an organization that: • Provides goods or services to a significant location of operation; and • Provides goods and/or services from a supplier site located in the same province/state as a significant location of operation. A "significant location of operation" is a location that maintains a personnel presence of at least 10 people and/or is a plant operated by Capital Power with a nameplate capacity of at least 15 MW. Capital Power defines a "local supplier" as an organization or person that provides a product or service to the reporting organization, and that is based in the same geographic market as the reporting organization in such as the geographic market of the supplier is within the province or state where Capital Power operates. Capital Power 2020 Integrated Annual Report > Sustainable Sourcing > p. 43

GRI 300: Environmental

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 302: Energy		
103-1	Explanation of the material topic and its Boundary	Energy underpins every aspect of modern life and is driving improved standards of living for millions of people around the world. As the economy drives toward net zero, system-wide electrification will be more pervasive, and we expect future low-carbon power generation systems will be even more flexible and resilient. The boundaries of our impact related to energy are the jurisdictions where we produce power and beyond. There are both positive and negative impacts with respect to energy and emissions at all our locations. We reduce negative impacts by: • Producing renewable power (wind and solar) • Developing markets to sell products produced by removing CO_2 from the atmosphere (carbon nanotubes) • Developing hydrogen-ready facilities • Seeking ways through technological innovation to increase energy efficiencies and decrease emissions at all our sites In managing the impacts of operations directly under our control, we are striving to reduce any negative impacts through our operational efficiency efforts, implementing digitalization and supporting carbon conversion technologies that could result in net-zero generation or even a net reduction in atmospheric carbon. In 2021, we published our third Climate Change Disclosure Report, aligned with the TCFD recommendations, and provided an in-depth review of our approach regarding climate change. Data from owned capacity at facilities where we hold operating permits and/or support commercial activities is included in scope. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	**Policies** • ***Health, Safety and Environment Policy*:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy*:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 302: Energy		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*****:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. **Programs and Initiatives** To drive down energy use and GHG emissions in our operations, we invest in technology and operational approaches to increase efficiency and reduce emissions, focusing our efforts in three key areas: • Assessing and improving how our facilities operate • Collecting, storing and managing data and analytics • Participating in GHG emissions reporting and trading and adhering to a number of national carbon reduction initiatives Some examples include: **1. Digitalization** In 2020, our Renewables Operations Centre (ROC) project focused on data analytics, procedure development and increased monitoring of asset performance to deliver optimization of energy output and increased financial performance of our wind assets. In 2021, and future years, the ROC project will continue the focus on system optimization, while implementing additional remote monitoring and support of operations to further enhance optimization of our wind assets. **2. Operational Efficiencies** We are committed to implementing capital and maintenance programs that ensure high availability of our assets and efficient use of resources. For example, our Genesee Performance Standard program, which commenced in 2016, will see a 12% improvement in efficiency and performance of the units by 2021. These improvements will benefit both natural gas and coal operations, also supporting the Company's plans to repower Genesee 1 & 2. Capital Power is seeking regulatory approval to repower both units to natural gas combined cycle (NGCC) units as a longer-term option for baseload power generation. The repowered assets will utilize best-in-class NGCC technology, setting a new standard for gas generation efficiency in Canada. **3. Innovation** In 2020, we demonstrated our commitment to carbon-free power generation through the medium and long term by committing to increase our investment in C2CNT to 40% equity as part of a long-term opportunity related to mitigating risks related to CO2 emissions and progressing the development of the Genesee Carbon Conversion Centre using C2CNT technology, the world's largest commercial-scale CNT production facility, with the first of three phases scheduled to begin operations in the first half of 2022. In addition, the Shepard site, which we hold 50% ownership in, was used as the test site for the natural gas track of the prestigious $20 million NRG COSIA Carbon XPRIZE, a global competition to develop breakthrough technologies that remove carbon dioxide from the atmosphere and convert it into valuable products. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12 2020 Climate Change Disclosure Report **Grievance Mechanisms**: Refer to 102-17 under "Grievance Mechanisms"

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 302: Energy		
103-3	Evaluation of the management approach	Mechanisms for evaluating effectiveness of the management approach are outlined in the policies and in the 2020 Climate Change Disclosure Report. The environmental program is monitored on a regular basis by the Health, Safety and Environment (HSE) Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to energy and air emissions to ensure that environmental requirements are met or while implementing procedures to reduce the impact of operations on the environment. Oversight of the management system is provided by the Board's Health, Safety and Environment (HSE) Committee. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's environmental strategies, goals and policies, the conduct of due diligence and the achievement of excellent corporate performance. In addition, all plants are subject to an internal review process that includes an environmental component. Internal audit has developed an Integrated Site Assurance Team (ISAT) program whereby all plants are subject to a multi-disciplinary assurance review on a rotating schedule, which includes a health, safety and environment component. The environmental focus of these audits is a plant's permits and regulatory compliance, and/or a management system approach to assessing environmental risk management. During our ISATs, our environmental compliance modules included categories on waste management, hazardous material management, storage facilities, materials imported and exported, and chemical and biological control. In addition, Capital Power's Health, Safety and Environment corporate group is subject to an internal audit every three years, where it takes a risk-based approach to determine the scope of the audit. The results of the internal audits's engagements are distributed to management, who provide responses to each finding, including committed dates for actionable items. Internal Audit follows up with management on actionable items until they are completed and reports the status of findings quarterly to the HSE Committee of the Board. The internal audits performed in 2020 did not result in significant findings that required changes to management approach. For more information, see GRI 102-26, 102-49. External compliance verifications have been initiated on the majority of Canadian thermal facilities around greenhouse gas compliance. These verifications look at energy input. Verifications that have covered energy use have found no discrepancies to date. For the 2020 year, Capital Power obtained limited assurance on GHG emissions disclosed in this report based on intensity, from a third-party independent verifier.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 302: Energy		
302-1	Energy consumption within the organization	

Total non-renewable energy consumption within the organization

2020 Coal Consumption (GJ)	2020 Natural Gas Consumption (GJ)	Total Non-Renewable Energy Consumption
91,150,792	49,741,778	140,892,570

Non-renewable energy consumption by country

Country	2020 Coal Consumption (GJ)	2020 Natural Gas Consumption (GJ)
Canada	89,318,366	21,191,487
U.S.A.	1,832,426	28,550,291
Total	**91,150,792**	**49,741,778**

Non-renewable energy consumption by facility

Country	Prov./State	Facility	Type of Facility	2020 Coal Consumption (GJ)	2020 Natural Gas Consumption (GJ)
Canada	Alberta	Halkirk	wind	0	0
Canada	Alberta	Whitla 1	wind	0	0
Canada	B.C.	Quality Wind	wind	0	0
Canada	B.C.	Island Generation	natural gas	0	462,085
Canada	Alberta	Genesee 1 & 2	coal	58,058,656	1,924,875
Canada	Alberta	Genesee 3	coal	31,259,710	3,991,412
Canada	Alberta	Genesee Mine	mining	0	0
Canada	Alberta	Clover Bar	natural gas	0	4,830,357
Canada	Alberta	Clover Bar LFG	landfill gas	0	0
Canada	Ontario	East Windsor	natural gas	0	206,615
Canada	Ontario	York Energy Centre	natural gas	0	326,011
Canada	Ontario	Goreway	natural gas	0	9,450,132
Canada	Ontario	Kingsbridge	wind	0	0
Canada	Ontario	Port Albert	wind	0	0
Canada	Ontario	Port Dover & Nanticoke	wind	0	0
U.S.A.	North Carolina	Roxboro	coal & biofuel	755,660	0
U.S.A.	North Carolina	Southport	coal & biofuel	1,076,766	0
U.S.A.	Alabama	Decatur Energy Center	natural gas	0	12,089,364
U.S.A.	Arizona	Arlington	natural gas	0	16,460,926
U.S.A.	New Mexico	Macho Springs	wind	0	0
U.S.A.	North Carolina	Beaufort Solar	solar	0	0
U.S.A.	Kansas	Bloom	wind	0	0
U.S.A.	North Dakota	New Frontier	wind	0	0
U.S.A.	Illinois	Cardinal Point	wind	0	0
U.S.A.	Texas	Buckthorn	wind	0	0
Total				**91,150,792**	**49,741,778**

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 302: Energy		
302-1	Energy consumption within the organization	

Total renewable energy consumption within the organization

2020 Biomass Consumption (GJ)	2020 Landfill Gas Consumption (GJ)	2020 TDF Consumption (GJ)	2020 Total Generation from Waste Heat (GJ)	Total Renewable Energy Consumption (GJ)
6,704,422	422,202	5,548,704	0	**12,675,327**

Renewable energy consumption by country

Country	2020 Biomass Consumption (GJ)	2020 Landfill Gas Consumption (GJ)	2020 TDF Consumption (GJ)
Canada	0	422,202	0
U.S.A.	6,704,422	0	5,548,704
Total	**6,704,422**	**422,202**	**5,548,704**

Renewable energy consumption by facility

Country	Prov./ State	Facility	Type of Facility	2020 Biomass Consumption (GJ)	2020 Landfill Gas Consumption (GJ)	2020 TDF Consumption (GJ)
Canada	Alberta	Halkirk	wind	0	0	0
Canada	Alberta	Whitla 1	wind	0	0	0
Canada	B.C.	Quality Wind	wind	0	0	0
Canada	B.C.	Island Generation	natural gas	0	0	0
Canada	Alberta	Genesee 1 & 2	coal	0	0	0
Canada	Alberta	Genesee 3	coal	0	0	0
Canada	Alberta	Genesee Mine	mining	0	0	0
Canada	Alberta	Clover Bar	natural gas	0	0	0
Canada	Alberta	Clover Bar LFG	landfill gas	0	422,202	0
Canada	Ontario	East Windsor	natural gas	0	0	0
Canada	Ontario	York Energy Centre	natural gas	0	0	0
Canada	Ontario	Goreway	natural gas	0	0	0
Canada	Ontario	Kingsbridge	wind	0	0	0
Canada	Ontario	Port Albert	wind	0	0	0
Canada	Ontario	Port Dover & Nanticoke	wind	0	0	0
U.S.A.	North Carolina	Roxboro	coal & biofuel	2,737,204	0	1,783,386
U.S.A.	North Carolina	Southport	coal & biofuel	3,967,218	0	3,765,318
U.S.A.	Alabama	Decatur Energy Center	natural gas	0	0	0
U.S.A.	Arizona	Arlington	natural gas	0	0	0
U.S.A.	New Mexico	Macho Springs	wind	0	0	0
U.S.A.	North Carolina	Beaufort Solar	solar	0	0	0
U.S.A.	Kansas	Bloom	wind	0	0	0
U.S.A.	North Dakota	New Frontier	wind	0	0	0
U.S.A.	Illinois	Cardinal Point	wind	0	0	0
U.S.A.	Texas	Buckthorn	wind	0	0	0
Total				**6,704,422**	**422,202**	**5,548,704**

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>2020 Disclosure Response</th></tr>
<tr><td colspan="3">GRI 302: Energy</td></tr>
<tr><td>302-1</td><td>Energy consumption within the organization</td><td>
Electricity, heating, cooling and steam consumption
<table>
<tr><th>2020 Consumption</th><th>GJ</th></tr>
<tr><td>Electricity</td><td>4,655,681</td></tr>
<tr><td>Heating</td><td>NA</td></tr>
<tr><td>Cooling</td><td>NA</td></tr>
<tr><td>Steam</td><td>NA</td></tr>
</table>
<i>* conversion: 1 MWh = 3.6 GJ</i>

Electricity, heating, cooling and steam sold
<table>
<tr><th>2020 Sold</th><th>GJ</th></tr>
<tr><td>Electricity</td><td>19,798,374</td></tr>
<tr><td>Heating</td><td>NA</td></tr>
<tr><td>Cooling</td><td>NA</td></tr>
<tr><td>Steam</td><td>126,339</td></tr>
</table>
<i>* conversion: 1 MWh = 3.6 GJ</i>

Total energy consumption within the organization
<table>
<tr><th>Total Energy Consumption (GJ)</th></tr>
<tr><td>158,223,578</td></tr>
</table>
Notes:

Conversion of fuel to GJ based on higher heating value of fuel
Conversion of MWh to GJ based on 1 MWh = 3.6 GJ (steam enthalpy)
Net MWhs generation (sold electricity) are net ‘revenue-quality’ MWhs, unless otherwise noted
Electricity consumption is based on unit parasitic load (gross generation minus net generation)
Higher heating value based on fuel analysis or published values

</td></tr>
<tr><td>302-3</td><td>Energy intensity</td><td>
The energy intensity ratio (GJ/MWh) is 7.99.

Notes:

Organization metric (denominator) is Net MWh
Fuel inputs are included in the ratio (GJ)

Only energy consumption within the organization is used to calculate the energy intensity.
</td></tr>
<tr><td>302-4</td><td>Reduction of energy consumption</td><td>Energy intensity ratio has decreased for our corporation with the increase in renewable generation, specifically the addition of Whitla, Cardinal Point and Buckthorn wind facilities to our operating portfolio.</td></tr>
</table>

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 303: Water and Effluents		
103-1	Explanation of the material topic and its Boundary	We see water as a necessary component to the operation of our thermal facilities and an essential part of daily life for our communities. It is therefore becoming more important than ever to manage the resource carefully for our communities and operations, and for the future generations that will rely on it. We use water at our thermal generation facilities for two major purposes: cooling and steam production. In general, our steam systems are closed-loop to conserve water. Cooling water systems are similar but may withdraw from and discharge to a local water source. As part of producing responsible energy for tomorrow, Capital Power strives to plan, develop and execute its water use optimally so as to do its part to preserve water quality and availability for future generations. We are currently developing a water strategy that aligns with our strategic objectives, focusing on: • Ensuring continued compliance with local and national requirements • Furthering our understanding of our operational water footprint to determine where improvements should be made • Managing water risks at our operational sites The information reported relates only to facilities for which we hold the operating permit, and for the full capacity of the facilities regardless of whether we have full or partial equity interest or ownership. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12 Capital Power 2020 Integrated Annual Report > Water Use and Management > p. 36
103-2	The management approach and its components	We manage and operate our facilities in a manner that seeks to minimize our impact on the environment. Our policies and processes below help ensure all employees and contractors are minimizing their impacts while working at our sites. We are developing a formal water strategy that will be completed in 2021 and that will manage water as a shared resource, and will work to create value through sound water stewardship. **Policies** • ***Health, Safety and Environment Policy*****:** This policy is intended to create, implement, and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*****:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 303: Water and Effluents		
103-2	The management approach and its components	We are developing a formal water strategy that will be completed in 2021 that will support our continued understanding of collective challenges and creation of long-term value. Responsibilities around energy management are outlined in our *Health, Safety and Environment Policy, Investment Policy*, Climate Change Disclosure Report, *Enterprise Risk Management, Board Health, Safety and Environment Policy* and Management Proxy Circular (to be published March 2021). **Grievance Mechanisms:** Refer to 102-17 under "Grievance Mechanisms"
103-3	Evaluation of the management approach	Mechanisms for evaluating the effectiveness of the management approach are outlined in the policies mentioned in GRI 102-26 and 103-2. The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements. Oversight of the management system is provided by the Board's HSE Committee. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's environmental strategies, goals and policies, the conduct of due diligence and the achievement of excellent corporate performance. In addition, all plants are subject to an internal review process that includes an environmental component. Internal audit has developed an Integrated Site Assurance Team (ISAT) program whereby all plants are subject to a multi-disciplinary assurance review on a rotating schedule, which includes a health, safety and environment component. The environmental focus of these audits is a plant's permits and regulatory compliance, and a management system approach to assessing environmental risk management. The ISAT program includes environmental compliance categories of waste management, hazardous material management, storage facilities, materials imported and exported, and chemical and biological control. In addition, Capital Power's Health, Safety and Environment corporate group is subject to an internal audit every three years, with a risk-based approach used to determine the scope of the audit. The results of the internal audit's engagements are distributed to management, who provide responses to each finding, including committed dates for actionable items. The Internal Audit team ensures actionable items are completed and provides a quarterly status report to the HSE Committee of the Board. Applicable data is updated and reported annually, consistent with industry standards and regulatory compliance obligations, and is subject to regulatory and internal inspections and audit processes. The internal reviews performed in 2020 did not result in significant findings that required changes to the management approach. A regulatory inspection occurred at our Southport, Roxboro and Decatur facilities and no violations were noted.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 303: Water and Effluents		
303-1 IF-EU-140a.3	Interactions with water as a shared resource Description of water management risks and discussion of strategies and practices to mitigate those risks	Standards for the quality and quantity of effluent discharges are determined by applicable regional regulatory agencies. In all cases, our approvals include regulatory requirements that involve studies, limits, monitoring and reporting. We comply with all conditions in our operating water approvals and participate in watershed alliances and regional biomonitoring programs for some of our facilities. Sources of water for our operations include municipal, recycled, groundwater and surface. Most of our water consumption occurs where our thermal operations are located. Water management will continue to be a focus and we will have a formal water management strategy in place by the end of 2021. Capital Power sits on the Alberta Water Council (AWC) Board – a multi-stakeholder partnership to engage industry, NGOs and governments to achieve the outcomes of the Water for Life strategy – and is a member of the Canadian Electricity Association (CEA), which advocates for the electricity industry positions to the federal government, including protection of fisheries. The Government Relations, Regulatory & Environmental Policy (GRREP) group is responsible for early identification of emerging regulatory issues as well as forthcoming and proposed regulatory changes, including water-related issues. They work proactively with internal stakeholders in Capital Power to ensure that the corporate growth strategy is executed within the constraints imposed by current and expected environmental policies in Canada and the U.S. The GRREP group: • Provides details about Canadian and U.S. environmental policy initiatives to internal stakeholders; • Leads an internal multi-disciplinary team to develop Capital Power's positions about environmental policies, including water; • Coordinates the analysis of potential environmental regulations and policies on Capital Power's existing assets, new projects and acquisitions; • Represents and advocates Capital Power's environmental policy positions with industry committees, governments and other stakeholders; and • Coordinates regular communication of environmental policy issues and positions. The R&EP reports regularly to the Executive Team. Our operational sites are subject to an internal review process which includes an environmental component, focusing on either a plant's permits and regulatory compliance, or a management system approach to reviewing environmental risk management. The internal reviews performed in 2020 did not result in significant findings that required changes to management approach. Capital Power 2020 Integrated Annual Report > Water Use and Management > p. 36
303-2	Management of water discharge-related impacts	The minimum standards for the quality of effluent discharges are determined by applicable regional regulatory agencies in the form of operating water approvals, permits and licenses. In addition to meeting the regulatory thresholds, we continue to explore and utilize best management approaches for clean water for operational efficiencies.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 303: Water and Effluents		
303-3 IF-EU-140a.1	Water withdrawal (1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Total 2020 water withdrawal: 47,594 ML Total includes: surface waters, groundwater, seawater, produced waters and third-party waters. **Notes:** • All waters withdrawn were considered to be <1000 mg/L Total Dissolved Solids • According to the WWF water risk filter, the only facility in a "water stress" area is our Arlington facility. Arlington withdrew 2,556 ML. • Additional contextual information relating to the provided data is outlined in the sites' operating permits, approvals or licenses issued by the regional regulator or from local water quality objectives • All water withdrawn is freshwater
303-4	Water discharge	2020 water discharge: 37,123 ML **Notes:** • Total includes: surface waters, groundwater, seawater, produced waters and third-party waters • According to the WWF water risk filter, the only facility in a "water stress" area is our Arlington facility. However, they do not discharge offsite and only have evaporative losses. • All waters discharged were considered to be <1000 mg/L Total Dissolved Solids • Operating approvals, permits and/or licenses identify any "discharge consents" or priority substances to be treated specific to each operational site
303-5	Water consumption	2020 water consumption: 10,471 ML **Notes:** • Total includes: surface waters, groundwater, seawater, produced waters and third-party waters • According to the WWF water risk filter, the only facility in a "water stress" area is our Arlington facility. However, they do not discharge offsite and only have evaporative losses. • Operating approvals, permits and/or licenses identify any "discharge consents" or priority substances to be treated specific to each operational site • Additional contextual information relating to the provided data is outlined in the sites' operating permits, approvals or licenses issued by the regional regulator or from local water quality objectives. We assume water consumed is equal to water withdrawal minus water discharge.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 304: Biodiversity		
103-1	Explanation of the material topic and its Boundary	We recognize the importance of biodiversity and its importance to maintaining resilient ecosystems beyond the immediate areas of our operational footprint. We also recognize that we need to minimize impacts related to biodiversity, ecosystems and other land uses, ensuring that we operate using a balanced approach. Impacts to biodiversity can occur at any of our sites beyond the immediate footprint. We consider biodiversity from business development to project planning and design, through construction and operations to remediation and final decommissioning, ensuring we minimize our impacts on wildlife and the land. Part of our long-term approach, particularly at our mine operation, is to ensure that reclamation plans meet and address our stakeholders', and, in particular, the communities', needs and interests. To the extent practical, we seek to rehabilitate the former mine areas to an agreed upon post-mining use. This information represents our generation associated with our operating approvals regardless of our financial interest in the facility. Data from owned capacity at facilities where we do not hold the operating permits is not included in this report. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12 Capital Power 2020 Integrated Annual Report > Biodiversity and Land Reclamation > pp. 36–37
103-2	The management approach and its components	We work to minimize our impacts and create long-term sustainability through land reclamation and reforestation practices, respecting wildlife, working together in partnerships and supporting research when opportunities exist. We manage and operate our facilities in a manner that reduces environmental impacts from our business activities. Our policies and processes below help ensure all employees and contractors are minimizing their impacts while working at our sites. Capital Power continues to engage in land reclamation activities to reclaim land no longer needed with respect to the mining operations of the Genesee coal mine. To date, the reclamation work at the Genesee coal mine has returned about 1,231 hectares (37% of the total surface area at the Genesee coal mine) of previously mined area into productive farmland and wildlife habitat. A long-term regional biomonitoring program encompassing the Genesee facilities is one of the largest programs of its kind in Canada. Since 2004, its air, water and wildlife studies have found no significant changes in land, natural water bodies or ambient air quality. **Policies** • ***Health, Safety and Environment Policy***: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy***: Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. **Grievance Mechanisms:** Refer to 102-17 under "Grievance Mechanisms"

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>2020 Disclosure Response</th></tr>
<tr><td colspan="3">GRI 304: Biodiversity</td></tr>
<tr><td>103-3</td><td>Evaluation of the management approach</td><td>All plants are subject to an internal review process which includes an environmental component, focusing on either a plant's permits and regulatory compliance, or a management system approach to reviewing environmental risk management.
The internal reviews performed in 2020 did not result in significant findings that required changes to management approach.</td></tr>
<tr><td>304-1</td><td>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td><td>Our Genesee Generating Station (Genesee) is our only operational site which contains infrastructure adjacent to a protected area. The Genesee pump house is located on the south bank of the North Saskatchewan River, which is adjacent to a wildlife corridor.</td></tr>
<tr><td>304-2</td><td>Significant impacts of activities, products and services on biodiversity</td><td>We conduct detailed environmental monitoring and assessments for wildlife, plant and other area-specific species at sites where conditions indicate it is required to safeguard the biodiversity of the area. For example, bird and bat surveys help us understand the impact of wind power generation on species living and travelling nearest to our operations.
21,000 trees were planted in reforestation areas.
2020 marks the fifth year of our partnership with NAIT. With respect to the research, we are conducting plant population counts.
Genesee is the largest and most diverse land base we manage as part of our operations. It demands a high level of monitoring, and a number of our research initiatives and innovation involving reclamation and restoration take place on the land in and around it. We are involved in a biomonitoring program that measures and assesses potential changes in environmental concentrations of chemicals of potential concern associated with aerial and water emissions from the Genesee Mine. Ongoing testing results have shown no appreciable increases.
Capital Power 2020 Integrated Annual Report > Biodiversity and Land Reclamation > pp. 36–37</td></tr>
<tr><td>304-3</td><td>Habitats protected or restored</td><td>At the end of 2020, we had 440.7 hectares with reclamation certificates from the provincial regulator at the Genesee Mine, and a total amount of reclaimed land of 1,231 hectares.
<table>
<tr><th></th><th>2011</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th></tr>
<tr><td>Fully reclaimed[1]</td><td>680 (26%)</td><td>763 (29%)</td><td>847 (31%)</td><td>906 (33%)</td><td>944 (33%)</td><td>984 (34%)</td><td>1,056 (35%)</td><td>1,118 (36%)</td><td>1,124 (35%)</td><td>1,231 (37%)</td></tr>
<tr><td>Reclamation in progress[2]</td><td>320 (13%)</td><td>264 (10%)</td><td>298 (11%)</td><td>274 (10%)</td><td>296 (11%)</td><td>322 (11%)</td><td>344 (12%)</td><td>294 (10%)</td><td>351 (11%)</td><td>386 (12%)</td></tr>
<tr><td>Required for safe and efficient mining</td><td>1,581 (61%)</td><td>1,629 (61%)</td><td>1,566 (58%)</td><td>1,555 (57%)</td><td>1,600 (56%)</td><td>1,557 (55%)</td><td>1,587 (53%)</td><td>1,669 (54%)</td><td>1,698 (54%)</td><td>1,695 (51%)</td></tr>
<tr><td>Total land</td><td>2,581 (100%)</td><td>2,656 (100%)</td><td>2,711 (100%)</td><td>2,735 (100%)</td><td>2,840 (100%)</td><td>2,863 (100%)</td><td>2,987 (100%)</td><td>3,081 (100%)</td><td>3,173 (100%)</td><td>3,312 (100%)</td></tr>
</table>
<i>[1] Fully reclaimed refers to land that is either fully certified, is awaiting final certification from the Alberta Energy Regulator (AER) or is ready for application for certification.</i>
<i>[2] Reclamation in progress means reclamation activities have begun but are incomplete and no application for certification has been filed. The AER sets the standards for reclamation.</i>
Key partners we work with to protect or restore habitat areas include:

Northern Alberta Institute of Technology (NAIT) Centre for Boreal Research
Alberta Conservation Association
Alberta Hunter Education Instructors Association (AHEIA)
Leduc County
Olds College
University of Alberta

2020 Integrated Annual Report > Biodiversity and Land Reclamation > pp. 36–37</td></tr>
</table>

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 304: Biodiversity		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	We have taken steps to mitigate the risk of impact to endangered and critically endangered wildlife populations on the IUCN Red List or the national conservation species list. We do a number of activities and surveys prior to construction of a new project such as a wind facility; however, they vary by jurisdiction, province and state. We conduct various wildlife surveys pre-construction to mitigate impacts, which include: • Amphibian surveys • Raptor surveys • Bird surveys in general, both songbirds and other • Washington ground squirrel and specific surveys are done depending on the geographic area where we are working During construction, we: • Do various bird, amphibian and other "sweeps" • Have a wildlife biologist onsite during construction when required • Report to regulators any encounters with species of concern During operation, we conduct bird and bat mortality monitoring.
GRI 305: Emissions		
103-1	Explanation of the material topic and its Boundary	As a wholesale power producer, we must manage our energy production and consumption that contributes to greenhouse gas (GHG) emissions through long-term strategies meeting climate goals. Direct impacts happen at all our thermal (non-renewable) facilities. In managing the impacts of operations directly under our control, we are striving to reduce any negative impacts through our operational efficiency efforts, implementing digitalization and supporting carbon conversion technologies that would result in a net carbon neutral or even positive contribution. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2 IF-EU-110a.3	The management approach and its components Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Capital Power understands the need to address climate change, reducing greenhouse gas (GHG) emissions by improving energy efficiency throughout our fleet, implementing low-carbon technologies like carbon capture and utilization, and growing our renewables portfolio (e.g., solar and wind). We also apply our core competencies to advocate for climate change policies that facilitate the transition to a low-carbon economy and help other stakeholders who may seek to purchase renewable energy certificates in order to meet their net-zero aspirations. **Climate Change Disclosure Report:** Our 2020 Climate Change Disclosure Report outlines Capital Power's climate change strategy and performance targets and metrics; assesses key climate-related risks, opportunities and mitigation; and outlines three climate change scenarios from the International Energy Agency. This report aligns with recommendations from the Task Force on Climate-related Financial Disclosures, which we support. **Policies** • ***Health, Safety and Environment Policy*****:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. **Commitments:** Paris Agreement to keep global temperature rise well below 2°C, United Nations Sustainable Development Goal 13 on climate action, Task Force for Climate-related Financial Disclosures (TCFD) and Carbon Disclosure Project (CDP). **Goals and Targets:** As part of its growth strategy, Capital Power seeks opportunities to acquire or develop contracted, larger-scale, natural gas-fired and renewable power generation facilities in Canada, and the U.S., and has focused its merchant power business on Alberta. Capital Power considers environmental, social and governance (ESG) integral to achieving total value creation. As such, as we execute our strategy, our decisions include consideration for ESG factors, which helps drive innovation and better decisions in the interests of our many different stakeholders. In 2019 and 2020, we set sustainability targets, including ambitious carbon emissions-reduction targets, reflecting our commitment to being an investment, employer, supplier and neighbour of choice. These targets, detailed below, include an ambitious target to be net carbon neutral by 2050. • Achieve net carbon neutrality by 2050 • Construct all new natural gas generation units to be carbon capture and/or hydrogen ready • Reducing Scope 1 CO_2 emissions at Genesee by 50% by 2030 from 2005 levels • Reducing Scope 1 CO_2 emissions by 10% by 2030 from 2005 levels, based on our 2019 fleet[1] • Reducing Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels[1] • Invest in carbon capture and utilization technology to help us achieve net carbon neutrality by 2050 and eventually physically decarbonize our natural gas fleet (ongoing) • Complete the Genesee Carbon Conversion Centre in the first half of 2022 • Enhanced sustainable sourcing plan (2021) • Enhanced water management plan (2021) • Target of at least 30% women on the Board and Executive Team Some of the projects we are undertaking to reduce our impacts include completing a coal-to-gas conversion on Genesee Unit 3 as well as the proposed repowering of Genesee 1 and 2. These will result in Capital Power being off coal in 2023. The ongoing additions to our renewables fleet, such as the two wind and five solar projects announced in 2020, will also contribute to achieving our sustainability targets. We are also advancing our plan to build the world's largest commercial-scale production facility of carbon nanotubes at our Genesee Carbon Conversion Centre, which will allow us to convert captured carbon into carbon nanotubes, supporting a reduction in GHG emissions.
IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	

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[1] *Our policy is to recalculate our base year emissions for any significant impacts as a result of changes in calculation methodologies and major acquisitions or divestments.*

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
103-2 IF-EU-110a.3	The management approach and its components Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Responsibilities around energy management are outlined in our *Health, Safety and Environment Policy*, *Investment Policy*, TCFD, *Enterprise Risk Management, Health, Safety and Environment Policy* and Management Proxy (will be published in March 2021). **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Programs and Initiatives:** To drive down energy use and GHG emissions in our operations, we invest in technology and operational approaches to increase efficiency and reduce emissions, focusing our efforts in three key areas: • Assessing and improving how our facilities operate • Collecting, storing and managing data and analytics • Participating in GHG emissions reporting and trading and adhering to a number of national carbon reduction initiatives
103-3	Evaluation of the management approach	The mechanisms for evaluating effectiveness of the management approach are outlined in the policies mentioned. The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to energy and air emissions to ensure that environmental requirements are met, or while implementing procedures to reduce the impact of operations on the environment. Oversight of the management system is provided by the Board HSE Committee. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's environmental strategies, goals and policies, the conduct of due diligence and the achievement of excellent corporate performance. In addition, all plants are subject to an internal review process which includes an environmental component, focusing on either a plant's permits and regulatory compliance, or a management system approach to reviewing environmental risk management. The internal reviews performed in 2020 did not result in significant findings that required changes to management approach.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	
IF-EU-110a.1	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	
IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with power deliveries	

Gross direct (Scope 1) GHG emissions

Gross direct GHG emissions (tCO$_2$e): 11,527,603

GHG emissions by facility[1]

Country	Prov./State	Facility	Type of Facility	GHG Excluding Biomass & LFG CO$_2$e (tonnes/yr)[2]	GHG Including Biomass & LFG (tonnes/yr)[2]
Canada	Alberta	Halkirk	wind	0	0
Canada	Alberta	Whitla 1	wind	0	0
Canada	B.C.	Quality Wind	wind	0	0
Canada	B.C.	Island Generation	natural gas	23,743	23,743
Canada	Alberta	Genesee 1 & 2	coal	5,527,934	5,527,934
Canada	Alberta	Genesee 3	coal	3,134,162	3,134,162
Canada	Alberta	Genesee Mine	mining	42,652	42,652
Canada	Alberta	Clover Bar	natural gas	247,600	247,600
Canada	Alberta	Clover Bar LFG	landfill gas	90	12,415
Canada	Ontario	East Windsor	natural gas	10,465	10,465
Canada	Ontario	York Energy Centre	natural gas	16,536	16,536
Canada	Ontario	Goreway	natural gas	479,541	479,541
Canada	Ontario	Kingsbridge	wind	0	0
Canada	Ontario	Port Albert	wind	0	0
Canada	Ontario	Port Dover & Nanticoke	wind	0	0
U.S.A.	North Carolina	Roxboro	coal & biofuel	220,071	445,912
U.S.A.	North Carolina	Southport	coal & biofuel	390,884	697,140
U.S.A.	Alabama	Decatur Energy Center	natural gas	594,131	594,131
U.S.A.	Arizona	Arlington	natural gas	839,796	839,796
U.S.A.	New Mexico	Macho Springs	wind	0	0
U.S.A.	North Carolina	Beaufort Solar	solar	0	0
U.S.A.	Kansas	Bloom	wind	0	0
U.S.A.	North Dakota	New Frontier	wind	0	0
U.S.A.	Illinois	Cardinal Point	wind	0	0
U.S.A.	Texas	Buckthorn	wind	0	0
Total				**11,527,603**	**12,072,026**

GHG emissions by country

Country	GHG Excluding Biomass & LFG CO$_2$ (tonnes/yr)	GHG Including Biomass & LFG (tonnes/yr)
Canadian totals	9,482,722	9,495,047
U.S. totals	2,044,881	2,576,979
Total	**11,527,603**	**12,072,026**

GHG emissions by fuel type[3]

Emission	GHG Excluding Biomass & LFG CO$_2$ (tonnes/yr)	GHG Including Biomass & LFG (tonnes/yr)
Coal	8,734,933	9,267,031
Gas	2,749,928	2,749,928
Renewables	90	12,415
	11,484,951	**12,029,374**

Biogenic CO$_2$ emissions

Biogenic GHG emissions (tCO$_2$e): 487,407.08

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[1] *Facility-level emissions reported here may differ from compliance GHG reporting due to minor differences between regulatory and corporate calculation methodologies.*

[2] *Immaterial emissions may occur at wind and solar sites. However, these emissions are not measured or included in the reporting.*

[3] *These numbers do not include mine GHG emissions (not part of generation).*

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	**Percentage of gross global Scope 1 emissions, covered under emissions-limiting regulations** All of our thermal facilities in Canada, with the exception of Clover Bar Landfill gas, fall under emissions-limiting regulations. Therefore, 82% of our total Scope 1 emissions fall under emissions-limiting regulations. **Percentage of gross global Scope 1 emissions, covered under emissions-reporting regulations** All of our thermal facilities are required to report their GHG emissions under various regulations. Therefore, 100% of our Scope 1 emissions are covered under emissions-reporting regulations. **Notes:** • Gases included in gross direct GHG emission calculation include CO_2, CH_4, N_2O and SF_6 • Global warming potential rates used are from IPCC Guidelines for Greenhouse Gas Inventories • We use a combination of mass balance and emission factors in the calculation of CO_2 emissions • Quantification requirements are dictated by the operational jurisdiction • Information that was not available for December due to timing of the report was estimated • This information represents our generation associated with our operating approvals regardless of our financial interest in the facility • Data from owned capacity at facilities where we do not hold the operating permits is not included in this report • Organization-specific metric (the denominator) chosen to calculate the ratio: Net MWh

305-2	Energy indirect (Scope 2) GHG emissions	Gross location-based energy indirect (Scope 2) GHG emissions are 54,359 tCO_2e for 2020. This reflects a 6% increase from 2019 emissions, largely due to including power consumption from all our power generation facilities, adding an additional 20 facilities in Canada and the U.S. Note that GHG emissions from power and natural gas consumption in our offices were moved to Scope 3 emissions in 2020 after assessing the terms of our office leases, which do not provide the ability to direct changes to reduce these emissions.
		Gross market-based energy indirect (Scope 2) GHG emissions will be 29,612 tCO_2e after we retire RECs against all of our Scope 2 electricity consumption emissions from jurisdictions with an electricity grid intensity higher than 0.37 tCO_2e/MWh that are not already offset through compliance with Alberta's TIER program. We will use a market-based emission factor of '0' for the electricity consumption that we plan to offset with an equivalent number of REC retirements. After consideration for compliance under Alberta's TIER program (23,661 tCO_2e) and purchasing offsets for Scope 2 electricity consumption emissions from jurisdictions with an electricity grid intensity of 0.37 tCO_2e/MWh or lower (5,951 tCO_2e), Capital Power will have greened 100% of its Scope 2 GHG emissions.
		Notes:
		• Calculation used from GHG Protocol Guidance:
		  • Emissions (tCO_2e) = Activity Data (MWh) *Emission Factor (tCO_2e/MWh)
		• Global Warming Potentials (GWP) used:
		  • $C0_2e$ – 1
		  • CH_4 – 25
		  • N_2O – 298

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		

305-3	Other indirect (Scope 3) GHG emissions	Gross other indirect (Scope 3) GHG emissions are 1,064,358 tCO_2e for 2020, a 28% decrease from 2019 primarily due to a 34% decrease in natural gas consumption at upstream facilities and significantly smaller capital goods spend on construction.
		The Scope 3 biogenic CO_2 emissions were zero for 2020.
		Notes:
		• We included the CO_2, CH_4 and N_2O gases in our calculation of indirect emissions (Scope 3)
		• The relevant indirect (Scope 3) GHG emission categories and activities that were included in the calculation are as follows:
		  • Capital goods and purchased goods:
		    • Total dollars spent includes major capital expenditures and all other goods and services with the exclusion of fuels that are included in Scope 1 emissions, electricity purchases included in Scope 2, purchase of emission offsets, insurance, transmission fees, trading fees, etc.
		• Calgary and Edmonton offices
		  • Buildings quantified are powered by electricity and use electricity for cooling and natural gas for heating
		• Fuel and energy
		  • Upstream emissions for coal, natural gas, biomass, landfill gas and TDF energy generation
		• Upstream transportation
		  • Transportation emissions associated with transportation at upstream coal facilities
		• Waste
		  • Disposal and recycling emissions associated with fly ash
		• Business travel
		  • Total dollars spent on business travel, including airfare, accommodations and freight/courier
		• Employee commuting
		  • Emissions associated with employee commuting based on the total number of employees
		• 2018 was selected as the base year for calculation
		• 2018 was the first year Scope 3 emissions were calculated for a wide range of emission sources
		  • Base-year emissions were not recalculated because the data is not available to restate baseline (2018) emissions. Improved data collection has contributed to some of the differences in numbers disclosed over the past few years.
		  • The significant changes that would trigger recalculation of the base-year emissions include:
		    • Downstream transportation emissions (transmission and distribution losses) were determined to be double counted. Emissions associated with the electricity that is lost in T&D are included as Scope 1 emissions (fuel combustion).
		    • Capital goods and purchased goods were expanded to include goods and services beyond major capital purchases. Data is not available to restate baseline (2018) emissions.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
305-3	Other indirect (Scope 3) GHG emissions	• Sources of emission factors: • Capital goods and purchased goods: • Greenhouse Gas Protocol: Quantis Scope 3 calculator • Fuel and energy • Scull, B. D. et al. (2017). Upstream Emissions of Coal and Gas. New York, NY: Columbia University, School of International and Public Affairs. • Zero Carbon Hub. Carbon emission factors for fuels – methodologies and values. • Alberta Carbon Emission Factors Handbook, Version 2.0, November 2019 • Upstream transportation • Greenhouse Gas Protocol: Cross Sector Tools March 2017.xlsx ("heavy duty rigid diesel vehicles" and "Rail transportation") • Waste • US EPA. Background Document for Life-Cycle Greenhouse Gas Emission Factors for Fly Ash Used as a Cement Replacement in Concrete. • Business travel • Greenhouse Gas Protocol: Quantis Scope 3 calculator • Best Practices Methodology for Quantifying Greenhouse Gas Emissions, Government of British Columbia, 2017 • Employee commuting • Greenhouse Gas Protocol: Quantis Scope 3 calculator • GWPs applied: • CO_2 – 1 • CH_4 – 25 • N_2O – 298 • Emissions were calculated using activity data collected from Capital Power's internal departments • Emission factors were sourced from references described in question 305-3 f • Relevant assumptions: • Capital goods and purchased goods: • Total dollars spent includes major capital expenditures and all other goods and services with the exclusion of fuels that are included in Scope 1 emissions, electricity purchases included in Scope 2, purchase of emission offsets, insurance, transmission fees, trading fees, etc. • Fuel and energy • Upstream emissions for a proportion of coal production were included in Scope 1 emissions and therefore excluded from Scope 3 emissions • Upstream transportation • No significant assumptions were required • Waste • No significant assumptions were required • Business travel • The emission factor for accommodations was applied to the broader category (accommodations, other travel) • Employee commuting • No significant assumptions were required

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
305-4	GHG emissions intensity	**Total GHG emissions intensity (tCO$_2$e/MWh)** GHG intensity: 0.58 **GHG intensity by facility[1]**

Country	Prov./State	Facility	Type of Facility	GHG Intensity (tonnes CO$_2$e/MWh)
Canada	Alberta	Halkirk	wind	0.000
Canada	Alberta	Whitla 1	wind	0.000
Canada	B.C.	Quality Wind	wind	0.000
Canada	B.C.	Island Generation	natural gas	0.411
Canada	Alberta	Genesee 1 & 2	coal	0.936
Canada	Alberta	Genesee 3	coal	0.829
Canada	Alberta	Genesee Mine	mining	0.000
Canada	Alberta	Clover Bar	natural gas	0.512
Canada	Alberta	Clover Bar LFG	landfill gas	0.026
Canada	Ontario	East Windsor	natural gas	0.571
Canada	Ontario	York Energy Centre	natural gas	0.620
Canada	Ontario	Goreway	natural gas	0.513
Canada	Ontario	Kingsbridge	wind	0.000
Canada	Ontario	Port Albert	wind	0.000
Canada	Ontario	Port Dover & Nanticoke	wind	0.000
U.S.A.	North Carolina	Roxboro	coal & biofuel	0.666
U.S.A.	North Carolina	Southport	coal & biofuel	0.954
U.S.A.	Alabama	Decatur Energy Center	natural gas	0.401
U.S.A.	Arizona	Arlington	natural gas	0.397
U.S.A.	New Mexico	Macho Springs	wind	0.000
U.S.A.	North Carolina	Beaufort Solar	solar	0.000
U.S.A.	Kansas	Bloom	wind	0.000
U.S.A.	North Dakota	New Frontier	wind	0.000
U.S.A.	Illinois	Cardinal Point	wind	0.000
U.S.A.	Texas	Buckthorn	wind	0.000
Total				**0.580**

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[1] *This intensity includes GHG emissions related to MWh production only and excludes steam production at East Windsor.*

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
305-4	GHG emissions intensity	**GHG intensity by country** (see tables and notes below)
305-5	Reduction of GHG emissions	**Reduction of GHG emissions** GHG emission reductions (tCO_2e): 601,018.84 (see notes below)
305-6	Emissions of ozone-depleting substances (ODS)	We had no ODS emissions in 2020.

305-4 GHG emissions intensity

GHG intensity by country

Country	GHG Intensity (tonnes CO_2e/MWh)
Canadian totals	0.701
U.S. totals	0.323
Total	**0.580**

GHG intensity by fuel type

Fuel Type	GHG Intensity (tonnes CO_2e/MWh)
Coal	0.953
Gas	0.480
Renewables	0.000
	0.580

Notes:

- This intensity includes GHG emissions related to MWh production only and excludes steam production at East Windsor and mining
- Organization-specific metric (the denominator) chosen to calculate the ratio: Net MWH
- Types of GHG emissions included in the intensity ratio: Scope 1
- Gases included: CO_2, CH_4, N_2O, HFCs, SF_6

305-5 Reduction of GHG emissions

Reduction of GHG emissions

GHG emission reductions (tCO_2e): 601,018.84

Notes:

- Reduction initiatives include Genesee Performance Standard and co-firing with natural gas
- Denominator used is Net Generation (sold MWh)
- Gases included: CO_2, CH_4, N_2O
- Base year for calculation: 2016
- Reductions are for direct (Scope 1) emissions
- Reduction calculations compared the 2016 (base year) GHG intensity and the 2020 GHG intensity and the reduction in intensity was applied to the 2020 generation. It is assumed that any reduction in intensity is due to efficiency improvements and co-firing with natural gas.
- Reduction calculations were done by comparing the 2016 (base year) GHG intensity and the 2019 intensity and applying the reduction in intensity to the 2019 generation. It is assumed that any reduction in intensity is due to efficiency improvements and co-firing.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 305: Emissions		
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant air emissions	See below
IF-EU-120a.1	Air emissions of the following pollutants: (1) NO_x (excluding N_2O), (2) SO_x, (3) particulate matter (PM10), (4) lead (Pb) and (5) mercury (Hg); percentage of each in or near areas of dense population	See below

Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant air emissions

Parameter	2020 Emissions	Units
NO_x	16,216	tonnes
SO_2	20,565	tonnes
Particulate Matter (PM)	895	tonnes
Mercury	21	kg

Emission by facility

Country	Prov./ State	Facility	Type of Facility	NO_x (tonnes/yr)	SO_2 (tonnes/yr)	Total PM (tonnes/yr)	Hg (kg/yr)
Canada	Alberta	Halkirk	wind	0	0	0	0
Canada	Alberta	Whitla 1	wind	0	0	0	0
Canada	B.C.	Quality Wind	wind	0	0	0	0
Canada	B.C.	Island Generation	natural gas	9	0	0	0
Canada	Alberta	Genesee 1 & 2	coal	11,612	13,179	601	14
Canada	Alberta	Genesee 3	coal	3,039	2,700	184	7
Canada	Alberta	Genesee Mine	mining	0	0	0	0
Canada	Alberta	Clover Bar	natural gas	143	1	0	0
Canada	Alberta	Clover Bar LFG	landfill gas	6	0	1	0
Canada	Ontario	East Windsor	natural gas	2	0	0	0
Canada	Ontario	York Energy Centre	natural gas	8	0	0	0
Canada	Ontario	Goreway	natural gas	92	1	1	0
Canada	Ontario	Kingsbridge	wind	0	0	0	0
Canada	Ontario	Port Albert	wind	0	0	0	0
Canada	Ontario	Port Dover & Nanticoke	wind	0	0	0	0
U.S.A.	North Carolina	Roxboro	coal & biofuel	424	1,819	1	0
U.S.A.	North Carolina	Southport	coal & biofuel	784	2,857	80	0
U.S.A.	Alabama	Decatur Energy Center	natural gas	45	3	11	0
U.S.A.	Arizona	Arlington	natural gas	53	4	16	0
U.S.A.	New Mexico	Macho Springs	wind	0	0	0	0
U.S.A.	North Carolina	Beaufort Solar	solar	0	0	0	0
U.S.A.	Kansas	Bloom	wind	0	0	0	0
U.S.A.	North Dakota	New Frontier	wind	0	0	0	0
U.S.A.	Illinois	Cardinal Point	wind	0	0	0	0
U.S.A.	Texas	Buckthorn	wind	0	0	0	0
Total				**16,216**	**20,565**	**895**	**21**

Emissions by country

Country	NO_x (tonnes/yr)	SO_2 (tonnes/yr)	Total PM (tonnes/yr)	Hg (kg/yr)
Canadian totals	14,910	15,881	787	21
U.S. totals	1,306	4,683	108	0
Total Emissions	**16,216**	**20,565**	**895**	**21**

Disclosure Number	Disclosure Title	2020 Disclosure Response

GRI 305: Emissions

305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions

IF-EU-120a.1 Air emissions of the following pollutants: (1) NO_x (excluding N_2O), (2) SO_x, (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population

Emissions by fuel type

Emission	NO_x (tonnes)	SO_2 (tonnes)	PM (tonnes)	Hg (kg)
Coal	15,859	20,555	867	23
Gas	351	9	28	0
Renewables	6	0	1	0
Total	**16,216**	**20,565**	**895**	**23**

Notes:

- The majority of these emissions are calculated using direct measurement (Continuous Emissions Monitoring Systems)
- Some parameters are calculated using source emission testing or mass balance
- Where emission factors are utilized, the source of the emission factors is typically from source testing or EPA-published emission factors

Calculation methodologies are dictated by jurisdiction.

GRI 306: Waste

103-1 Explanation of the material topic and its Boundary

We seek opportunities to reduce waste, as appropriate waste management helps to limit our environmental impact and can lower risks and costs, but we also see potential opportunities where some waste, like fly ash, is sold in cement production.

Our stakeholders and communities close to Capital Power's facilities are interested in how we manage effluent and waste discharge from production, as they may be directly impacted through potential water contamination and improper disposal of waste, and we see it as our responsibility to manage and reduce any potential impacts resulting from our operation.

We are focused on minimizing waste at each of our operations and at the local level and ensuring compliance with local requirements at a minimum. Applicable data is updated and reported annually, consistent with industry standards and regulatory compliance obligations, and is subject to internal audit processes. In addition, we look for opportunities where we can recycle and/or sell our wastes, thereby reducing environmental impact both at our operation and downstream.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 306: Waste		
103-2	The management approach and its components	We manage and operate our facilities in a manner that prevents environmental pollution from occurring in our business activities. Our policies and processes below help ensure all employees and contractors are minimizing their impacts while working at our sites. **Policies** • ***Health, Safety and Environment Policy***: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy***: Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management**: Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index).
103-3	Evaluation of the management approach	Mechanisms for evaluating effectiveness of the management approach are outlined in the policies mentioned. The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to energy and air emissions to ensure that environmental requirements are met, or while implementing procedures to reduce the impact of operations on the environment. Oversight of the management system is provided by the Board HSE Committee. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's environmental strategies, goals and policies, the conduct of due diligence and the achievement of excellent corporate performance. Our annual internal review process (ISAT) looks at processes and procedures regarding environmental risk management and/or compliance at our facilities, including (but not limited to): waste management, hazardous material management, storage facilities, materials imported and exported, and chemical and biological control. The internal reviews performed in 2020 did not result in significant findings and there were no required changes to our management approach.
306-1 IF-EU-150a.1 IF-EU-150a.2	Waste generation and significant waste-related impacts Amount of coal combustion residuals (CCR) generated, percentage recycled Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	At facilities where coal is used as a fuel for power production, waste is generated in the form of bottom ash and fly ash. Capital Power minimizes the amount of coal ash waste from its facilities by selling fly ash for use in cement production. In 2020, we sold more than 252,000 tonnes of fly ash, allowing it to be reused. **Notes:** • Data from owned capacity at facilities where we do not hold the operating permits is not included in this report

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 306: Waste		
306-2	Management of significant waste-related impacts	At facilities where coal is used as a fuel for power production, waste is generated in the form of bottom ash and fly ash. Capital Power minimizes the amount of coal ash waste from its facilities by selling fly ash for use in cement production. In 2020, over 252,000 tonnes of fly ash was sold, allowing it to be reused.
306-3	Waste generated	At facilities where coal is used as a fuel for power production, waste is generated in the form of bottom ash and fly ash. Capital Power minimizes the amount of coal ash waste from its facilities by selling fly ash for use in cement production. In 2020, we sold more than 252,000 tonnes of fly ash, allowing it to be reused. **Notes:** • Data from owned capacity at facilities where we do not hold the operating permits is not included in this report
GRI 307: Environmental Compliance		
103-1	Explanation of the material topic and its Boundary	Being in compliance and in good standing with regulators and the local community is paramount to ensure we maintain trust with our stakeholders, ensuring we are good environmental stewards in our community, and reduces liabilities and enables us to keep delivering power in the future. Our stakeholders and communities close to Capital Power's facilities are interested in how we manage our site and can be directly impacted; as such, we see it as our responsibility to be good stewards in our community, and to manage and reduce any potential impacts resulting from our operations.
103-2	The management approach and its components	To ensure compliance, we are subjected to internal and regulatory inspections and audits, and we are also obligated to self-report any non-compliances to the applicable regulators. Information for this disclosure represents Capital Power's disclosure of non-compliance with environmental laws and regulations. Capital Power operates within the confines of operating permits and approvals that are issued by the regulatory bodies in our operational jurisdictions. **Policies** • ***Health, Safety and Environment Policy*: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 307: Environmental Compliance		
103-2	The management approach and its components	**The following internal processes (not publicly available) assist in managing environmental requirements and manage our risks at our sites:** 1. Environmental screening checklist assesses the risk for increased emissions, including waste. 2. Housekeeping Standard requires all operations to follow OSHA 1910.106, Hazardous material. 3. Field-level hazard assessment, which must be completed prior to any work being completed onsite, contains screening questions pertaining to environmental impact and includes measures for waste disposal and wastewater. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index).
103-3	Evaluation of the management approach	Mechanisms for evaluating effectiveness of the management approach are outlined in the policies mentioned. The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to energy and air emissions to ensure that environmental requirements are met, or while implementing procedures to reduce the impact of operations on the environment. Oversight of the management system is provided by the Board HSE Committee. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's environmental strategies, goals and policies, the conduct of due diligence and the achievement of excellent corporate performance. Our annual internal review process (ISAT) looks at processes and procedures regarding environmental risk management and/or compliance of regulations and permits at our facilities. The internal reviews performed in 2020 did not result in significant findings and there were no required changes to our management approach.
307-1 IF-EU-140a.2	Non-compliance with environmental laws and regulations Number of incidents of non-compliance associated with water quantity and/or quality permits, standards and regulations	Roxboro and Southport have been assessed civil penalties for failure to submit Prevention of Significant Deterioration (PSD) permits for SO_2 emission increases under the New Source Review provisions of the *Clean Air Act*, and for failure to operate best available control technology (BACT) at the plants. The plants underwent an NO_x/ SO_2 Boiler Control Retrofit and Increased Wood/ Biomass Firing Project completed in 2011. The project air permit application was submitted in 2008, and projected emissions at that time did not indicate PSD permitting would be required. However, following a detailed analysis of continuous emissions monitoring data (CEMS) from the plants for calendar year 2015, it was ultimately determined, in conjunction with the North Carolina Department of Air Quality (NCDAQ), that SO_2 emission increases as a result of fuel blend changes that increased tire-derived fuel throughput in fact exceeded the PSD permitting threshold. PSD permit applications were submitted to NCDAQ in 2017, subsequently amended and resubmitted. The plants are in discussion with NCDAQ regarding the finalization of the matter and in early 2020, Capital Power paid the following fines: Southport plant: $473,987.00 Roxboro plant: $389,244.00

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 308: Supplier Environmental Assessment		
103-1	Explanation of the material topic and its Boundary	As a large purchaser in the areas where our facilities are located, Capital Power recognizes that environmentally sustainable sourcing has a material environmental impact on the sustainable actions of our suppliers. Benefits to Capital Power from environmentally sustainable sourcing include reduced cost and less risk to our operations and to our supply chain. The boundaries are generally considered to be the activities of suppliers for our operating and under-construction power generation facilities. Through Capital Power's construction efforts and operations of wind facilities over the past 10 years throughout North America, authorities having jurisdiction have imposed considerable health, safety and environmental requirements as a part of the approval process. Capital Power holds our contractors to a high standard and employs environmental inspectors on all development sites to perform ongoing inspections and scheduled audits to ensure compliance with specific contractual and statutory environmental obligations. Our stakeholders and communities close to Capital Power's facilities are interested in how we manage our site and can be directly impacted; as such, we see it as our responsibility to be good stewards in our community, and to manage and reduce any potential impacts resulting from our operations. Capital Power recognizes that its environmental performance by our contractors when not employed in work at our sites is not included in this assessment.
103-2	The management approach and its components	To ensure compliance, we subject contractors employed at our facilities and development sites to ongoing inspections and scheduled audits, and we are also obligated to self-report any non-compliances to the applicable regulators. Information for these self-reports represents Capital Power's disclosure of non-compliance with environmental laws, regulations or approval qualifications imposed during development. The purpose of the management approach is to source suppliers and contractors that deliver optimal value to our construction and operations, while also achieving a level of environmental sustainability. Capital Power's approach uses policy, procurement processes, and contracting and site management to ensure environmental standards are met by suppliers. **Policies** • ***Health, Safety and Environment Policy*****:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy*****:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*****:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	2020 Disclosure Response
GRI 308: Supplier Environmental Assessment		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*****:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. Board-approved environmental objectives are established annually to promote Capital Power's environmental stewardship and are measured through the HSE Performance Index, which applies to the work performed by contractors while employed on construction sites or operating facilities. The Index measures performance by using a combination of leading and lagging performance indicators. Where lagging indicators measure the "end results," leading indicators recognize and focus attention on proactive activities and continuous improvement. The HSE Index measures overall performance against a target of 1.00. Recordable environmental incidents is one of the measures within the lagging indicator portion of the Index. There is also a metric as part of the inspection leading indicator measure that requires facilities to complete focused environmental inspections. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Procurement Process and Contracting:** Our procurement process requires that any prospective supplier verifies that they will meet our policy, and our contracts include terms requiring suppliers to adhere to our policies. In addition, any suppliers that do work on our sites are required to comply with a comprehensive set of HSE requirements that include requirements that are specific for the type of materials they are providing and the work they will be doing. **Site Management:** For those suppliers that conduct work on any of our sites, Capital Power employees monitor certain aspects of the work, which includes compliance with all environmental requirements, policies and work-specific standards. Any supplier not complying will have its work stopped and said work will not recommence unless and until full compliance is achieved.
103-3	Evaluation of the management approach	Capital Power is working toward an improved process for evaluating the environmental sustainability impacts of our procurement process. Implementation of the sustainable supply chain strategy's first phase began in 2019 and involved defining what sustainable supply chain means for Capital Power, determining responsible sourcing methods and mapping some existing initiatives in this space. Some of the work being planned for 2020 includes determining redundancies and gaps within existing policies, standards and activities, and supplier-facing initiatives. We are working towards a more comprehensive supply chain sustainability program underway by the end of 2021.
308-1	New suppliers that were screened using environmental criteria	We currently do not formally screen suppliers based on environmental criteria. However, construction-related proposals are assessed against the contractor familiarity with environmental regulations and their plan for meeting those obligations.
308-2	Negative environmental impacts in the supply chain and actions taken	All new suppliers are screened using the methods described in section 103-2 above. There are no known negative impacts in the supply chain. We currently do not have a climate-related supplier engagement strategy.

GRI 400: Social

Disclosure Number	Disclosure Title	Response
GRI 401: Employment		
103-1	Explanation of the material topic and its Boundary	Our existing and future operations success depends on our ability to continue attracting and retaining an engaged workforce that has the existing and emerging technical expertise and competencies to support our business in an evolving market. **Boundary:** All of Capital Power's operating regions and business units and all of Capital Power's employees. We abide by all state, federal and provincial laws regarding employment. With respect to hourly employees, in addition to abiding by all state, federal and provincial laws, we follow requirements outlined in the respective collective agreements in place (see GRI disclosure 102-41). Technology and globalization are reshaping the way we operate and affecting the labour market with an increase in demand of more "future focused" technical talent, especially as these new technologies help us operate more efficiently and safely, resulting in minimizing our environmental footprint and operating costs. At the same time, we see opportunities to increase our workforce diversity, which enhances our Company performance and results in more resilient local economic performance, in particular for the communities surrounding our operations. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12 Capital Power 2020 Integrated Annual Report > People and Culture > p. 26
103-2	The management approach and its components	We are committed to providing our people with an inclusive environment within which they can engage in meaningful and fulfilling work. We provide our employees with opportunities to grow and develop their careers and ensuring an ethical culture, competitive benefits and a workplace responsive to our employees' needs. Our human capital strategy aligns our talent management efforts with the overall business strategy. Its focus areas include: enhancing the employee experience and evolving for future workforce needs; building our bench strength and leadership capabilities; developing effective labour relations that align stakeholders with a shared future; and improving diversity and inclusion. We've integrated our people strategy as part of our long-term corporate planning and have built a comprehensive Employee Value Proposition (EVP), which will be a key driver of talent attraction, engagement and retention for our business. Supporting these commitments are corporate standards on Employment, Compensation and Benefits, Corporate Inclusion and Diversity, Labour Relations, Conduct and Non-Discrimination, Talent and Performance Management, and Third-Party Workers. **Policies** • ***Health, Safety and Environment Policy*:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy*:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	Response
GRI 401: Employment		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Part-time Work Policy*****:** Our *Part-time Work Policy* offers full-time employees an additional benefit. Full-time employees can benefit from the flexibility that a part-time arrangement provides for an extended period of time to manage work-life balance. They can choose to remain part-time or return to a full-time schedule at some point in the future. • **Our *Commitment to the Protection of Personal Information and Privacy Policy*:** At Capital Power, personal information is maintained as strictly confidential. Unless an individual authorizes Capital Power to disclose personal information, or the disclosure of that personal information without consent is required or permitted by law, we will not disclose personal information to any third parties. • ***Security Policy*****:** This policy reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. • ***Temporary Flexible Workplace Arrangements Policy*****:** Short-term, acute, family or personal responsibilities can sometimes place a significant amount of strain on work-life balance. To assist employees in maintaining balance during this temporary period, employees use the opportunity to add flexibility to their work arrangement through short-term, customized arrangements. **Commitments:** While not a signatory to the UNGC, our approach takes into account the 10 UNGC Principles in the areas of labour, environment, anti-corruption and human rights. As a company operating in North America, we support and respect internationally proclaimed human rights, framed under the Universal Declaration of Human Rights, and the core labour standards set out by the International Labour Organization. With respect to our unions (see GRI 402), we abide by all applicable national and/or local legal requirements and also all requirements outlined in each union's respective collective bargaining agreements, and follow all regulatory requirements. **Responsibilities:** Under the Senior Vice President, People, Culture and Technology, People Services professionals maintain meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to management on employment matters and promotes consistency with respect to Capital Power's policies and practices across the organization. To promote engagement within the organization, the People Services team looked at their processes and protocols to see how they can be modified to ensure we are meeting the needs of all our teams. Examples of activities that continue to promote engagement for remote and essential employees include the following: • Performance – providing guidelines that promote performance discussions that are in person or held virtually • Virtual Onboarding – additional coaching and resources for new remote employees and their remote leaders to support a seamless virtual onboarding experience • SWEP Program – offered a two-tier program that provided managers with the option to participate in the program remotely for two or four months

Disclosure Number	Disclosure Title	Response
GRI 401: Employment		
103-2	The management approach and its components	• Converted in-person classroom sessions to virtual • Recruitment has adapted its strategy to be 100% virtual • Career development continued within the organization, with employees being promoted and/or moved laterally throughout the organization • Pulse Surveys – conducted surveys to check in with employees working remotely and with essential employees to see how they are managing during the pandemic and if there is anything more Capital Power can do to support them • Support the organization's "Reintegration Committee" – work with the Committee and help to support the different projects on bringing employees together for the "Edmonton Collaboration" space and on how to bring employees back to their corporate sites **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Special Actions** **Catalyst:** As a member of Catalyst, we seek to improve diversity across our organization. See GRI disclosure 102-41. To ensure fair payment of employees, we follow the employment standards for each Canadian province and the *Fair Labour Standards Act* (FLSA) in the U.S., as well as the collective agreements for our Canadian union employees. We are undertaking new approaches to hire, retain and engage talent across our organization. At Capital Power, our people priorities are focused on: • Supporting employee growth through building critical skills and competencies that support the long-term business needs and strategy of the organization; • Developing future leaders through succession planning and progressive management opportunities; • Delivering a compelling employee experience through our culture, career development opportunities and lifestyle benefits; • Driving digital business transformation for the organization though evolving employee roles and skills building; and • Strengthening the diversity of our workforce by increasing the diversity of our external candidate pool. **COVID-19:** In 2020, the COVID-19 pandemic caused an even greater acceleration of those forces of change, both as we responded to the initial crisis and as we look to recover from it. Our immediate priority in our response was ensuring employee health and safety. We quickly implemented work from home for all corporate and non-essential plant staff and additional hygiene, social distancing, screening and return-to-work protocols for those working 24-hour operations and those essential to plant operations. Once these measures were in place, the focus turned to engagement, productivity, resiliency and wellness. In early 2020, we were seeing more focus on ESG considerations from a people perspective, such as an increased focus on inclusion and diversity, well-being and leadership. We will continue to focus on these areas. During COVID-19 we have started exploring what our "new normal" will look like as we build our reintegration plan. We will capitalize on what we learned about the new ways of working while retaining what we value most about our culture. Capital Power 2020 Integrated Annual Report > Responding to COVID-19 > pp. 27–28

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>Response</th></tr>
<tr><td colspan="3">GRI 401: Employment</td></tr>
<tr><td>103-3</td><td>Evaluation of the management approach</td><td>Segregation of duties between People Service associates and payroll advisors ensures regular checks and balances for employee payment and that discrepancies are corrected immediately. Quarterly audits of the Oracle system are performed by People Service associates and payroll advisors, and annual audits by our internal auditors provide additional assurance of employee records and payment information.</td></tr>
<tr><td>401-1</td><td>New employee hires and employee turnover</td><td>
New hires by age group, gender and region in 2020
<table>
<tr><th></th><th>Number of People</th><th>Percentage/ Percentage Change</th></tr>
<tr><td>New Hires</td><td>47</td><td>6.0%</td></tr>
<tr><td>Age group:</td><td></td><td></td></tr>
<tr><td>Under 30 years</td><td>7</td><td>14.9%</td></tr>
<tr><td>30-50 years</td><td>33</td><td>70.2%</td></tr>
<tr><td>Over 50 years</td><td>7</td><td>14.9%</td></tr>
<tr><td>Gender:</td><td></td><td></td></tr>
<tr><td>Male</td><td>33</td><td>70.2%</td></tr>
<tr><td>Female</td><td>14</td><td>29.8%</td></tr>
<tr><td>Region:</td><td></td><td></td></tr>
<tr><td>Canada</td><td>39</td><td>83.0%</td></tr>
<tr><td>USA</td><td>8</td><td>17.0%</td></tr>
</table>
Employee turnover by age group, gender and region in 2020
<table>
<tr><th></th><th>Number of People</th><th>Percentage/ Percentage Change</th></tr>
<tr><td>Employee turnover</td><td>59</td><td>7.6%</td></tr>
<tr><td>Age group:</td><td></td><td></td></tr>
<tr><td>Under 30 years</td><td>3</td><td>5.1%</td></tr>
<tr><td>30-50 years</td><td>30</td><td>50.8%</td></tr>
<tr><td>Over 50 years</td><td>26</td><td>44.1%</td></tr>
<tr><td>Gender:</td><td></td><td></td></tr>
<tr><td>Male</td><td>46</td><td>78.0%</td></tr>
<tr><td>Female</td><td>13</td><td>22%</td></tr>
<tr><td>Region:</td><td></td><td></td></tr>
<tr><td>Canada</td><td>43</td><td>72.9%</td></tr>
<tr><td>USA</td><td>16</td><td>27.1%</td></tr>
</table>
Turnover for permanent employees (%)
2017: 7.7
2018: 7.9
2019: 6.9
2020: 7.6
</td></tr>
<tr><td>401-2</td><td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td><td>Benefits which are standard for full-time employees (which includes employees who work 20+ hours in a week in Canada and 30+ hours in the U.S.) but are not provided to temporary employees at our significant locations of operation[1] include:

Life insurance and other optional insurances such as AD&D
Health, dental and vision care
Short-/long-term disability

</td></tr>
</table>

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[1] *Significant locations of operation are anywhere that at least one full-time employee is employed within Canada and the U.S.*

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>Response</th></tr>
<tr><td colspan="3">GRI 401: Employment</td></tr>
<tr><td>401-2</td><td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td><td>

Maternity/parental leave
Health and wellness-related reimbursement accounts
Retirement and savings programs
Vacation and paid time-off
Temporary flexible work arrangements
Bereavement
Employee and family assistance programs
Healthcare Advocacy (Best Doctors® and Cigna)
Out-of-country emergency medical
Career milestone recognition

</td></tr>
<tr><td>401-3</td><td>Parental leave</td><td>
Total number of employees that were entitled to parental leave, by gender in 2020
<table>
<tr><th></th><th></th></tr>
<tr><td>Total number of employees entitled to parental leave</td><td>786</td></tr>
<tr><td>Male</td><td>594</td></tr>
<tr><td>Female</td><td>192</td></tr>
</table>
Total number of employees that took parental leave, by gender in 2020
<table>
<tr><th></th><th></th></tr>
<tr><td>Total number of employees that took parental leave</td><td>12</td></tr>
<tr><td>Male</td><td>0</td></tr>
<tr><td>Female</td><td>12</td></tr>
</table>
Total number of employees who returned to work in the reporting period after parental leave ended, by gender in 2020
<table>
<tr><th></th><th>Current Period</th><th>Prior Period</th></tr>
<tr><td>Male</td><td>0</td><td>2</td></tr>
<tr><td>Female</td><td>6</td><td>10</td></tr>
</table>
Total number of employees who returned to work after parental leave ended who were still employed 12 months after their return to work, by gender in 2020
<table>
<tr><th></th><th>Returned in 2018 (#/%)</th><th>Returned in 2019 (#/%)</th><th>Combined (#/%)</th></tr>
<tr><td>Number returned</td><td>5</td><td>7</td><td>12</td></tr>
<tr><td>Number still employed</td><td></td><td></td><td></td></tr>
<tr><td>Male</td><td>0/0%</td><td>2/28.6%</td><td>2/16.7%</td></tr>
<tr><td>Female</td><td>3/60%</td><td>5/71.4%</td><td>8/66.7%</td></tr>
</table>
Return to work and retention rates of employees who took parental leave, by gender in 2020
<table>
<tr><th>Returned from parental leave</th><th>Current Period (#/%)</th><th>Prior Period (#/%)</th></tr>
<tr><td>Male</td><td>0/0%</td><td>2/16.7%</td></tr>
<tr><td>Female</td><td>6/50%</td><td>8/66.7%</td></tr>
</table>
</td></tr>
</table>

Disclosure Number	Disclosure Title	Response
GRI 402: Labour/Management Relations		
103-1	Explanation of the material topic and its Boundary	We understand that our existing and future operations success depends on our ability to attract, develop, deploy and retain the best talent, and that individuals today want to work for organizations that align to their values and provide them with work that matters and opportunities to grow and work with inspiring leaders. **Boundary:** All Capital Power's operating regions and business units and Capital Power employees. We abide by all state, federal and provincial laws regarding employment. With respect to hourly employees, in addition to abiding by all state, federal and provincial laws, we follow requirements outlined in the respective collective agreements in place (see GRI disclosure 102-41). At Capital Power, we understand that people are our greatest asset, and that attracting, hiring, developing and retaining the right talent has a direct impact on our success. We've integrated our HR people strategy as part of our long-term corporate planning and have built a comprehensive Employee Value Proposition (EVP), which will be a key driver of talent attraction, engagement and retention for our business. In alignment with the UNGC Human Rights and Labour Principles 1-5, Capital Power prohibits the use of child labour and forced or compulsory labour at all its facilities. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Capital Power's people services policies, practices and services help to develop our talent pipeline and address our current and future workforce needs. They also serve to reinforce legal requirements and corporate commitments regarding fair employment processes and human rights. Employee co-determination is a high priority at Capital Power. Statutory, collective bargaining and Company rules are implemented by establishing a trusting relationship with employee representatives. We continue to maintain positive and collaborative relationships with the unions that represent our employees. HR plays a strategic role within our organization. People are at the core of everything we do, and HR provides the support our people need to perform by creating an environment where they can succeed. We have a responsibility to engage and empower our employees in a way that allows each individual to be their best every day – producing exceptional results with endless possibilities. **Policies** • ***Health, Safety and Environment Policy*:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy*:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	Response
GRI 402: Labour/Management Relations		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Part-time Work Policy*****:** Our *Part-time Work Policy* offers full-time employees an additional benefit. Full-time employees can benefit from the flexibility that a part-time arrangement provides for an extended period of time to manage work-life balance. They can choose to remain part-time or return to a full-time schedule at some point in the future. • **Our *Commitment to the Protection of Personal Information and Privacy Policy*:** At Capital Power, personal information is maintained as strictly confidential. Unless an individual authorizes Capital Power to disclose personal information, or the disclosure of that personal information without consent is required or permitted by law, we will not disclose personal information to any third parties. • ***Security Policy*****:** This policy reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. • ***Temporary Flexible Workplace Arrangements Policy*****:** Short-term, acute, family or personal responsibilities can sometimes place a significant amount of strain on work-life balance. To assist employees in maintaining balance during this temporary period, employees use the opportunity to add flexibility to their work arrangement through short-term, customized arrangements. **Commitments:** While not a signatory to the UNGC, our approach takes into account the 10 UNGC Principles in the areas of labour, environment, anti-corruption and human rights. As a company operating in North America, we support and respect internationally proclaimed human rights, framed under the Universal Declaration of Human Rights, and the core labour standards set out by the International Labour Organization. With respect to our unions (see GRI 102-41), we abide by all applicable national and/or local legal requirements and also all requirements outlined in each union's respective collective bargaining agreements, and follow all regulatory requirements. **Commitment to Diversity and Inclusion** As a member of Catalyst we seek to improve diversity across our organization (see GRI 405). **Responsibilities:** Capital Power's Labour Relations group maintains meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to HR business partners and management on employment matters and promotes consistency with respect to Capital Power's policies and practices across the organization. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). Website > Equity, Diversity and Inclusion
103-3	Evaluation of the management approach	We do not have notice requirements specific to significant operational changes, but in such a case, we would notify affected employees and unions directly as soon as practical. If the change would result in loss of employment, we would abide by relevant terms outlined in collective agreements, and by all state, federal and provincial laws regarding employment notice.

Disclosure Number	Disclosure Title	Response
GRI 402: Labour/Management Relations		
402-1	Minimum notice periods regarding operational changes	Capital Power understands the challenges of changing an employee's shift. Capital Power endeavours to give as much notice to its employees as it can. Depending on the collective agreement and type of situation, the notice period ranges from 24 hours to 28 calendar days. Capital Power operates long-standing merchant and contracted power generation facilities, so "significant operational changes" that would substantially impact employees would be extremely rare. As such, we do not have notice requirements specific to "significant operational changes," but in such a case, would notify affected employees and unions directly as soon as practical. If the change would result in loss of employment, we would abide by relevant terms outlined in collective agreements, and by all state, federal and provincial laws regarding employment notice. In most cases, minimum notice periods and provisions for negotiation/consultation of significant operational changes are not specified in such agreements. Rather, communication of such changes generally occurs as part of the ongoing engagement between the Company and employee representatives.
GRI 403: Occupational Health and Safety		
103-1	Explanation of the material topic and its Boundary	If not properly managed, Capital Power's activities with respect to the construction, operation and maintenance of power generation and related facilities can present significant risks to human health, safety and the environment. Every Capital Power employee and contractor is responsible for Capital Power's environmental performance and the health and safety of themselves and their fellow workers. The boundaries of this topic include all construction and operational facilities where Capital Power has control of the workplace and associated work activities. Occupational health and safety impacts occur at all construction and operational facilities. Capital Power is in the business of constructing, operating and maintaining power generation and related facilities. This set of activities can present significant risks to human health and safety, and to the environment, if not properly managed. Safety is a core Company value; a fundamental principle of how we operate. Capital Power identifies and manages potential impacts and demonstrates due diligence to worker health and safety through a structured management system. On construction projects where the organization does not have control of the workplace and the work activities, Capital Power demonstrates due diligence as an owner through a robust contractor management process and by conducting contractor reviews during construction activities to ensure contractors are complying to health and safety regulations and contract obligations. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Safety is a core Company value; a fundamental principle of how we operate. Capital Power identifies and manages potential impacts and demonstrates due diligence to worker health and safety through a structured management system. Capital Power manages health and safety through a management system that includes a Policy Statement, a description of roles and responsibilities, the development of standards for use by the organization, a comprehensive training matrix, and an audit process by which compliance to jurisdictional requirements is measured.

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
103-2	The management approach and its components	In addition, Capital Power engages in the following activities: • Conducts regular HSE audits of its operations and construction activities, tracking items of non-compliance and reporting on progress to the HSE Committee of the Board • Requires and encourages the reporting of hazards, near-miss events and incidents. These events are tracked and analyzed for trends, and preventative actions are taken because of those trends. • Delivers ongoing HSE training to all employees of Capital Power. Training is required for all employees in field or operating positions, and the completion of such training is tracked and monitored by Capital Power. • Regularly reviews HSE regulatory updates to ensure awareness of upcoming regulatory changes The purpose of the management approach is to provide an overall framework for operations while providing the flexibility for plant-specific procedures. **Policies** • ***Health, Safety and Environment Policy*****:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*****:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. • **Contractor Health, Safety and Environment Management Standard:** Identifies the processes used to communicate and administer the owner's health, safety and environment (HSE) requirements for contractor/services supplier oversight. This standard applies to all the owner worksites, contractors, consultants, independent contractors and/or agents ("Contractor"), retained by, or providing services to, the owner. **Commitments:** Our *Zero Means Everything* policy targets zero accidents and injuries and guides all the work we do to work safely each and every day. **Goals and Targets:** Board-approved HSE objectives are established annually to promote Capital Power's HSE stewardship and are measured through the HSE Performance Index. The Index measures performance by using a combination of leading and lagging performance indicators. Where lagging indicators measure the "end results," leading indicators recognize and focus attention on proactive activities and continuous improvement. The HSE Index measures performance against a target of 1.00. **Responsibilities:** The *Health, Safety and Environment (HSE) Policy* is reviewed annually by the Company's Health, Safety and Environment Committee, and any changes are recommended to the Board for approval.

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
103-2	The management approach and its components	**Health and safety resources under Vice President of HSE are as follows:** • Operations: Five Sr. Health and Safety Advisors with Canadian Registered Safety Professional (CRSP) designation or in the USA a Certified Safety Professional (CSP) designation. • Corporate: Six resources, including Sr. Manager of Health and Safety, Sr. Health and Safety Specialist, Sr. HS Advisor (CRSP), Training Advisor, Sr. Advisor of HSE Systems/WCB administration and an HSE Coordinator. • Construction: Two contract health and safety professionals with CRSP/CSP designations or similar level of training and equivalent years of experience are engaged for construction projects and turnaround support as required. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Specific Actions** • Implementation of formal COVID-19 pandemic work plan, including fit for duty questionnaires for employees and contractors, return-to-work protocols and clearance forms, contamination clean-up procedures, germicidal lamp safe handling and operation procedures, decontamination job hazard analysis and training. Implementation of working-from-home job hazard analysis and ergonomic self-assessments regarding at-home workstation set up. • In Q1 and Q2 of 2020, we implemented a company-wide campaign titled "See It – Say It – Solve It: Attention to Prevention" to increase event reporting. The purpose was to raise awareness on the importance of hazard identification and near misses so action can be taken proactively, to avoid injuries and make our HSE program stronger. The rollout included all plant and office locations. The program included easy to fill out booklets, several campaign toolbox talks, information posters and a formal presentation to all employees led by the HSE advisors. • In 2020, the corporate safety calendar program was developed by the HSE department, launched in Q1 and introduced fleet-wide. The calendar identifies a three-year cycle of mandatory monthly HSE topics applicable to the safe operation of the Company. The topics are prepared and communicated from the HSE department directly to supervisors, with the requirement to communicate the topic to all affected employees during regular scheduled monthly HSE meetings. • Establishment of a single standardized corporate HSE training matrix that identifies and assigns regulatory and site-specific HSE training requirements by position. These were completed for all positions within the Company. The matrix is managed and maintained by the HSE department. • Development of a mandatory Investigation 101 training program for leadership. The training is rolled out through the end of 2020 and into 2021. Applying formal investigation training demonstrates continuous improvement, which will reflect positively throughout the Company as it will improve the identification of causes and effective corrective actions to prevent reoccurrence. • A Significant Event Review Committee that reviews incident investigations and conducts root-cause analysis of recordable injury and serious near-miss events was created. The Committee ensures investigations are completed in a timely manner and completed at a level appropriate for the incident, action plans are identified, and learnings are shared across the organization. • All of Capital Power's offices, operating facilities and construction sites have HSE Representatives or an established health and safety committee Capital Power 2020 Integrated Annual Report > Health and Safety > pp. 32–33 Capital Power 2020 Integrated Annual Report > Ensuring Operational Resiliency > p. 40 Capital Power 2020 Integrated Annual Report > Responding to COVID-19 > pp. 27–28

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
103-3	Evaluation of the management approach	Oversight of the management system is provided by the Board HSE Committee. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's health and safety strategies, goals and policies, the conduct of due diligence and the achievement of excellent corporate performance. Consistent with Capital Power's long-term HSE strategy, the organization has developed an HSE Index that measures performance against a target of 1.00. The HSE Performance Index measures performance by using a combination of leading and lagging performance indicators. Where lagging indicators measure the "end results," leading indicators recognize and focus attention on proactive activities and continuous improvement. There are five leading indicators and three lagging indicators. **Leading Performance Indicators** 1. HSE Required Training 2. Hazard Identification, Assessment and Control 3. HSE Inspections 4. HSE Event Reporting 5. Contractor Management **Lagging Performance Indicators** 1. Corporate/Operations TRIF 2. Construction TRIF 3. Environmental Incidents HSE Index 3-year performance against target of 1.00.

HSE Index

Year	Leading	Lagging	Overall
2018	1.06	1.05	1.05
2019	1.12	1.03	1.09
2020	1.12	1.00	1.08

		Capital Power's Health, Safety and Environment corporate group is subject to an internal audit every three years, where it takes a risk-based approach to determine the scope of the audit. The results of the internal audit's engagements are distributed to management, who provide responses to each finding, including committed dates for actionable items. The internal audit follows up with management on actionable items until they are completed and reports the status of findings quarterly to the HSE Committee of the Board. In 2020, there was one ISAT audit that looked at health and safety as part of the review. The ISAT plant audit program was paused for a six-month period due to the COVID-19 pandemic. The program resumed in November 2020. In addition, Capital Power engages in the following activities: • Conducts regular HSE audits of its operations and construction activities, tracking items of non-compliance and reporting on progress to the HSE Committee of the Board • Requires and encourages the reporting of hazards, near-miss events and incidents. These events are tracked and analyzed for trends, and preventative actions are taken because of those trends. • Delivers ongoing HSE training to all employees of Capital Power. Training is required for all employees in field or operating positions, and the completion of such training is tracked and monitored by Capital Power. • Regularly reviews HSE regulatory updates to ensure awareness of upcoming regulatory changes The specific performance indicators are established on an annual basis and are focused on engaging employees in preventative activities and continuous improvement of the HSE management system. The performance indicators are adjusted yearly based on an evaluation of trends or areas of improvement needed from the previous year's performance.

<table>
<thead>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>Response</th></tr>
</thead>
<tbody>
<tr><td colspan="3">GRI 403: Occupational Health and Safety</td></tr>
<tr><td>403-1</td><td>Occupational health and safety management system</td><td>
<p>The OHS management system is based on recognized risk management and management system standards and, in part, from ISO 45001: 2018. The OHS management system is required to be implemented by legal requirements in various jurisdictions where we operate. The management system includes:</p>

Introduction
Scope and Key Definitions
Leadership and Worker Participation
<ol type="a">
Leadership and Commitment
<i>HSE Policy</i>
HSE Functional Responsibility
Roles and Responsibilities
HSE Communication, Consultation and Participation of Workers

Risk Identification and Assessment
Training and Competency
Legal and Regulatory Requirements
Performance Measurement and Monitoring
Audits and Assessments
Management System Review
Document Control and Management of Change
Corporate HSE Standards
Procedures

<p>The scope of workers that fall under the organization's HSEMS include full-time and temporary employees, contractors and subcontractors classified as working under the direction of the organization.</p>
<p>Contractors whose work and/or workplace activities are not under the direction of the organization are covered through the organization's Contractor Management Standard that includes robust pre-qualification and selection criteria for qualified contractors. The organization uses ISNetworld, a global resource, to assist with assessing contractor health and safety management systems, worker qualifications, injury statistics, insurance requirements and compliance to jurisdictional regulations.</p>
<p>Requirements are established to review the content and functionality of the OHS management system to ensure there is a functioning and systematic process in place so that risks are identified and managed to achieve the Company HSE goals and objectives.</p>
<table>
<thead>
<tr><th>OHS Management System Section</th><th>Review Frequency</th><th>Person Responsible</th></tr>
</thead>
<tbody>
<tr><td>HSE Policy</td><td>Annual</td><td>VP HSE</td></tr>
<tr><td>Life Critical Standards</td><td>3-year cycle</td><td>Sr. Safety Specialist</td></tr>
<tr><td>HSEMS elements excluding <i>Life Critical Standards</i></td><td>3-Year cycle</td><td>Sr. Safety Specialist</td></tr>
</tbody>
</table>
<p>The Senior Safety Specialist is responsible for following the review cycle and including internal stakeholders.</p>
<p>The review process considers the following:</p>

Applicable HSEMS data and outputs
Results of internal audits
Evaluations of regulatory compliance
Communication from external interested parties
Status of corrective and preventive actions from investigations and audits
Follow-up actions from previous management reviews
Significant issues from risk assessments
Recommendations for improvement

</td></tr>
</tbody>
</table>

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-2	Hazard identification, risk assessment and incident investigation	These processes to identify work-related hazards and assess risks are based on both legal requirements and industry guidelines. The organization has a Hazard Identification, Assessment and Control Standard that provides the process for conducting routine and non-routine hazard identification activities, assessment of the risks and developing effective controls. The process includes positional, job and field-level hazard assessments. Review and updating of these assessments are triggered as part of an incident investigation finding, when new workers or a new process or task is introduced or there is a change in conditions at the field level. Ensuring the quality of the processes: Instruction in the process includes an understanding of the hierarchy of controls, risk ranking, types of hazard assessments and the audit of hazard assessments by supervision. Training on hazard identification and control is provided to workers through orientations, Sr. Health and Safety Advisor-led classroom sessions and e-learning options. Understanding of the training is confirmed through training quizzes and competency is verified through hazard assessment review audits that are conducted by supervisors at regular intervals. Barriers to training and understanding are addressed through various means such as translators, e-learning in Spanish, and verbal training and testing where required. How the results of the processes are used to evaluate and continually improve the OHS management system: Outcomes of these processes are evaluated to determine if there was a management system gap, and areas for corrective action within the management system are identified as either not part of the system, an inadequate standard or inadequate compliance with the standards. Corrective actions are assigned to correct personnel responsible and are tracked to completion. Reporting of work-related hazards and hazardous situations is required by all workers. Reporting is done by directly reporting to a supervisor, safety representative or Health and Safety Committee member. As part of the policy, workers shall not be disciplined for reporting hazardous conditions or situations. Reports are formally entered into an electronic reporting system and are tracked to closure. The organization has a no retaliation policy and will not tolerate or pursue retaliation of any kind against any individual who reports a violation or ethical concern in good faith. Work refusals are considered incidents and are investigated. Workers have the right to refuse any work they believe in good faith to be unusually dangerous. A work refusal is initiated by the worker and when initiated in good faith shall not result in discriminatory action. If a worker believes that the assigned work is dangerous, the refusal and the reason for the refusal is promptly reported to the employer or supervisor. The organization has a formal Incident Event Management Standard that requires incidents to be reported and investigated. Outcomes of the investigation must identify the factors that contributed to the incident's occurrence. Corrective actions are identified and implemented to prevent recurrence. Root causes are identified to determine fundamental, underlying, OHS management system-related reasons why the incident occurred and to identify one or more correctable management system failures. Corrective actions are assigned to accountable personnel and are tracked to completion.

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-3	Occupational health services	The organization conducts occupational health surveillance in compliance with legal requirements and occupational hygiene practices. Occupational health hazards in the working environment are identified through the formal hazard assessment process. Internal Sr. Health and Safety Advisors with professional designation as CRSP and CSP conduct basic surveillance services for ergonomics, noise, heat stress and assessment of personal protective equipment. External companies with competent individuals with recognized qualifications are utilized for occupational health surveillance in accordance with the hazards of the working environments workers are exposed to. Employees are required to attend the health surveillance testing in accordance with legal requirements. The organization offers onsite services during work hours and offsite services with provision for transportation to the health clinics when needed. Workers are given access to records and will receive all results of testing through the third-party testing provider. Unfavourable results are investigated to determine if additional or more effective controls are required at the workplace to further protect workers. All occupational health records internally and externally held by third parties are managed in accordance with jurisdictional privacy laws and in accordance with the organization's internal privacy procedure and records retention schedule.
403-4	Worker participation, consultation and communication on occupational health and safety	Workers at all levels participate in development and review of hazard assessments of their work and or working environment, as well as investigations. HSE management system requirements are communicated to workers through various methods, including, but not limited to: • Joint Health and Safety Committees or representatives • Corporate safety calendar monthly topics • HSE alerts and communication through the *Zero Means* email • HSE bulletin boards • HSE campaigns and awareness presentations • HSE lesson learned bulletins • Intranet, TV screens • Job-specific training • Orientation and onboarding • Safety moments at the beginning of meetings • Regular scheduled safety meetings • Toolbox talks Formal Joint Health and Safety Committees (JHSC) meet quarterly at a minimum and operate under a formal Terms of Reference that defines roles and decision-making authority. Where trade union agreements or long-term contractors are in place at the worksite, the union and contractor must provide a representative to participate on the JHSC.

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-4	Worker participation, consultation and communication on occupational health and safety	The JHSC is responsible for: • Receiving, considering and disposing of concerns and complaints about the health and safety of workers, and helping the employer respond to worker health and safety concerns • Participating in the identification of hazards to workers or others arising out of the activities at the worksite • Conducting worksite inspections • Developing and promoting measures to protect the health and safety of people at the worksite and checking the effectiveness of such measures • Developing and promoting education, training and information programs concerning health and safety • Cooperating with OHS officers in enforcing the act and the regulations of the code, participating in investigations of serious injuries and incidents, and maintaining records on all matters relating to the duties of the Committee • Helping with new employee health and safety orientation • Helping resolve unsafe work refusals • Helping develop health and safety policies and safe work procedures Capital Power 2020 Integrated Annual Report > Ensuring Operational Resiliency > p. 40 Capital Power 2020 Integrated Annual Report > Responding to COVID-19 > pp. 27–28
403-5	Worker training on occupational health and safety	Training is provided free of charge to workers and primarily is done during work hours; however, if required, provisions are made for compensating workers for training outside of working hours. Mandatory and optional training requirements are determined based on regulatory requirements, by position, by tasks performed and by work-related hazards. Positional hazard assessments identify work-related hazards and establish the training related to the hazard. An established training matrix is used to track all training and the required intervals for retraining. Training is done through various methods such as e-learning, internal or external classroom sessions led by third-party qualified trainers or qualified internal trainers, or through manufacturers on specific equipment. Effectiveness of training is evaluated by the internal training department through a formal documented process. Completion of training is also one of the annual leading indicators included in the HSE Index. A workplace inspections program is in place which includes office, facility and construction inspections. The program also includes Executive Team inspections, focused contractor inspections and contractor inspections during outages. • A work-readiness warm-up and stretching program was developed to help prevent musculoskeletal disorders (MSDs). Following a successful pilot in 2019, the program was implemented at all facilities in 2020. The corporate, operations/construction and site-specific orientations were updated with an additional requirement for senior site leadership to participate in site-specific orientations for their contractors. All employees and contractors completed the updated orientations applicable to their position in 2020. Capital Power 2020 Integrated Annual Report > Ensuring Operational Resiliency > p. 40 Capital Power 2020 Integrated Annual Report > Responding to COVID-19 > pp. 27–28

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-6	Promotion of worker health	We believe that our employees perform their best when they lead healthy and balanced lives. We invest in their well-being by providing a diverse and inclusive set of programs to meet their needs in each of the four focus areas that make up our Corporate Wellness Program: physical, mental, financial and social well-being. In addition to a comprehensive benefits and retirement savings program, Capital Power provides: **Employee and Family Assistance Program (EFAP)** – The EFAP offers professional counselling assistance and support to employees and their families to manage all of life's complexities at work and home. Work-life support is also offered through expert online content and counsellors in the areas of legal, family, financial, nutrition, naturopathic and health coaching. **Best Doctors®** – This program assists employees to get a second opinion on medical diagnoses, connect with specialists and receive help navigating the health care system. **Sprout** – An interactive health and wellness platform that encourages employee well-being. We use this tool to run employee wellness challenges and campaigns related to physical activity, nutrition and sleep. **LifeSpeak** – An online and confidential library of videos from the world's leading experts on over 40 different wellness topics. Employees can review videos, participate in live question and answer web chats hosted by subject matter experts or access a searchable database of user-defined questions and answers. **Not Myself Today** – This program is designed to raise awareness and understanding around mental health, stop the stigma and foster a supportive work culture. Employees and their families have access to tools and resources to help them become more aware of how relationships and environment affect our mental health. **Motivate Me** – Employees and their dependents are encouraged to complete annual preventative care and are provided incentive rewards once their annual care is completed. **Know Your Numbers** – In support of physical well-being, we have conducted two campaigns (HRA/biometric screening) in Canada and one campaign in the U.S. We've run several employee awareness campaigns focused on Capital Power's top health risks, physical activity, nutrition and sleep. We also enhanced the paramedical coverage for our Canadian extended health plan by creating a separate category for mental health-related practitioners such as psychologists, psychoanalysts and counsellors, with a separate combined maximum of $1,250. **Health Spending Account and Personal Spending Accounts:** Provide access to funds that employees can use and direct towards purchases that support their health and wellness. **Changes in 2020** COVID-19 and its impact on the mental health of our workforce, as well as the communities in which we operate, has elevated our concern for our employees, their families and other loved ones. We have focused our efforts on making sure our employees and their families are aware of and can easily access existing programs and resources. A small supply of barrier masks (50) was mailed to each employee's home to encourage employees and members of their household to wear masks when they left their homes. Capital Power 2020 Integrated Annual Report > Ensuring Operational Resiliency > p. 40 Capital Power 2020 Integrated Annual Report > Responding to COVID-19 > pp. 27–28

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	We require all non-employees/contractors or partners to comply with all jurisdictional occupational health and safety acts, regulations and codes, and to follow known industry safe work practices and standards. There is a strong Contractor Management Standard that includes working with contractors that have an OHS management system and acceptable health and safety performance. In addition, the Company uses a third-party service (ISNetworld) to review and grade contractors. Higher-grade contractors are preferred. In situations where a lower-grade contractor is the only option, a gap analysis is conducted, and risk mitigation plans are in place as part of the contract process.
403-8	Workers covered by an occupational health and safety management system	The following worker types are included under the organization's health, safety & environment scope: • Full- and part-time employees, permanent and temporary • Contracted employees, full-/part-time, permanent and temporary • All contractors working at sites the organization owns and operates and has control of the work or workplace (not including construction sites) All of Capital Power's employees, contracted employees and contractors must comply with the health and safety policies and procedures. Contractors must manage their health, safety and environment (HSE) risks in a manner consistent with the Company policy. The organization monitors health and safety performance as part of contractor selection and approval to perform or continue work with the organization. The organization conducts internal audits on the HSE Management System at three-year intervals. The audits apply to workers who are not employees but whose work is controlled by the organization, and those long-term contractors for operations and maintenance services agreements. The organization is not currently audited by certification bodies; however, the internal audit department hires qualified third-party auditors to audit the health, safety and environment program to ensure compliance to regulations in all jurisdictions where the organization operates. Results of compliance audits are reviewed with the organization's internal audit executive committee. External reviews of contractor's health and safety management systems and current performance statistics are completed through ISNetworld, a third-party contractor management provider. The occupational health and safety management system covers all operational and construction sites that the organization owns and operates. All employees and contractors at those sites fall under the management system. As part of the management system, the organization has developed a Contractor Management Standard based on the COAA, Contractor Environment, Health and Safety Management Best Practice (2007).

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-9 IF-EU-320a.1	Work-related injuries (1) Total recordable incident rate (TRIR), (2) fatality rate and (3) near miss frequency rate (NMFR)	**Corporate performance data for 2020** Total Recordable Injury Frequency (TRIF) Corporate/Operations: 0.72[1] Lost-Time Injury Frequency (LTIF): 0.27 Lost-Time Injury Severity (current employees only – not contractors): 4.27 Fatalities: 0 (includes employees and contractors) **For all employees (excluding contractors)** • 0 (Zero) fatalities • 0 (Zero) high-consequence work-related injuries • 5 recordable work-related injuries with a TRIF of 0.65 • 2 medical treatments and 3 lost-time injuries • 1,544,744 exposure hours **Contractors only** • 0 (Zero) fatalities • 0 (Zero) high-consequence work-related injuries • 3 recordable work-related injuries with a TRIF of 0.87 • 3 recordable medical treatments and 0 lost-time injuries • 690,288 exposure hours **Work-related hazards that pose a risk of high-consequence injury** • Work-related hazards that pose a risk of high-consequence injury have been determined by type of high-risk activities that can result in life-altering injury or fatality events (LIFE). Examples are confined space, ground disturbance, working from heights and live high-voltage electrical work. • None of these hazards related to a high-consequence work-related injury during the reporting period • For each of the work-related hazards identified by the organization as LIFE activities, a subsequent LIFE Critical Standard has been developed that each operating facility is required to implement. The Standard lays out the minimum standard requirements for controlling the hazard. Each facility is required to implement associated controls from the Standard and in addition must define site-specific procedures and safe work practices to further reduce the potential of exposure. Due to an increase in sprain/strain injuries, the organization implemented a program to reduce musculoskeletal disorders in the workplace. This includes a pre-task warm-up/stretching program. Work-related injury rates have been calculated based on 200,000 hours worked. The organization tracks contractor incidents but currently does not have a mechanism to track contractor “recovery time” from a work-related injury. The organization reports as one overall corporate statistic using the same criteria for all operational facilities. Capital Power 2020 Integrated Annual Report > Health and Safety > pp. 32–33

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[1] *A recordable incident is a work-related injury or illness that results in one or more of the following: medical treatment beyond first aid, restricted work, lost time, permanent injury or fatality.*

Exposure hours are the total number of hours of employment, including overtime and training, salaried, hourly, part-time and seasonal employees, and contractors.

Disclosure Number	Disclosure Title	Response
GRI 403: Occupational Health and Safety		
403-10	Work-related ill health	**For current employees** • Zero fatalities because of work-related ill health • Two cases of recordable work-related ill health • Noise-induced hearing loss is the main type of worker-related ill health The organization tracks contractor incidents but currently does not have a mechanism to track contractor work-related ill health in this context. For this disclosure, musculoskeletal disorders are reported under 403-9. The work-related hazards that pose a risk of ill health include physical agents (noise) and respiratory hazards. • Identification of health hazards is done through positional and job hazard assessments, site hazard assessments and identification of chemical hazards associated with the processes or activities conducted within the organization • Exposure to noise – long latency • For each of the health hazards identified by the organization, a subsequent standard lays out the minimum standard requirements for controlling the hazard. Each facility is required to implement associated controls from the standard and in addition must define site-specific procedures and safe work practices to further reduce the potential of exposure to the identified standard. Controls are implemented based on the hierarchy of controls. The organization tracks contractor incidents of acute, short-latency exposures only and does not have a mechanism in place to track chronic, long-latency exposure cases. The organization reports as one overall corporate statistic using the same criteria for all operational facilities. Construction projects where the organization has control over the workers and worksite are also included in this reporting criteria.
GRI 404: Training and Education		
103-1	Explanation of the material topic and its Boundary	People are at the heart of our business. Everything that gets done is because of the knowledge, skills, commitment and experience of our employees. Our people enable the successful execution of our business strategy. Therefore, aligning our desired culture and people strategy with our business strategy ensures we have created an employee experience and have the right teams in place to create and enhance shareholder value through disciplined growth, operational excellence and financial prudence. Our culture is one of excellence, where teams are empowered. We maintain a long-term focus on sustainability, leveraging data to drive our decisions. We attract, retain and engage talent that strives for excellence and precision, while implementing innovative improvement to build a sustainable future. **Boundaries:** All Capital Power's operating regions and business units and Capital Power employees. We abide by all state, federal and provincial laws regarding employment. With respect to hourly employees, in addition to abiding by all state, federal and provincial laws, we follow requirements outlined in the respective collective agreements in place (see GRI disclosure 102-41). In order to ensure that we succeed, we need to place a strategic focus on attracting the right people and ensuring they remain engaged, motivated and empowered throughout their time with us. Aligning our desired culture and people strategy with our business strategy provides a guidepost to create an employee experience that motivates individuals who possess the capabilities needed for our continued success. There are no specific limitations regarding corporate initiatives. In regards to health and safety, we abide by all state, federal and provincial laws. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12

Disclosure Number	Disclosure Title	Response
GRI 404: Training and Education		
103-2	The management approach and its components	We are committed to providing our people with an inclusive education program that engages and empowers our people to achieve further development and transforms how we work to enable strong business performance. Our training and education programs revolve around the fundamental philosophy that our programs are aligned with our EVP and overall business strategy. We continue to design experiences and programs to create a high-performing employee experience. **Policies** • ***Health, Safety and Environment Policy***: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy***: We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy***: This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16. **The following internal policies (not publicly available) also guide our activities:** • ***Part-time Work Policy***: Our *Part-time Work Policy* offers full-time employees an additional benefit. Full-time employees can benefit from the flexibility that a part-time arrangement provides for an extended period of time to manage work-life balance. They can choose to remain part-time or return to a full-time schedule at some point in the future. • **Our *Commitment to the Protection of Personal Information and Privacy Policy***: At Capital Power, personal information is maintained as strictly confidential. Unless an individual authorizes Capital Power to disclose personal information, or the disclosure of that personal information without consent is required or permitted by law, we will not disclose personal information to any third parties. • ***Security Policy***: This policy reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. • ***Temporary Flexible Workplace Arrangements Policy***: Short-term, acute, family or personal responsibilities can sometimes place a significant amount of strain on work-life balance. To assist employees in maintaining balance during this temporary period, employees use the opportunity to add flexibility to their work arrangement through short-term, customized arrangements **Commitments:** While not a signatory to the UNGC, our approach takes into account the 10 UNGC Principles in the areas of labour, environment, anti-corruption and human rights. As a company operating in North America, we support and respect internationally proclaimed human rights, framed under the Universal Declaration of Human Rights, and the core labour standards set out by the International Labour Organization.

Disclosure Number	Disclosure Title	Response
GRI 404: Training and Education		
103-2	The management approach and its components	With respect to our unions (see GRI 402), we abide by all applicable national and/or local legal requirements and also all requirements outlined in each union's respective collective bargaining agreements, and follow all regulatory requirements. For health and safety, Capital Power has a 95% completion rate for all sites regarding applicable training courses. For corporate initiatives, we encourage participation by all employees. We track and report on specific areas of the organization: 1. Ethics 2. Cyber Security 3. Purchasing 4. Unconscious Bias and Inclusivity 5. Strong Start Orientation and Onboarding Program **Responsibilities:** Capital Power's People Services group maintains meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to management on talent recruitment, training, transitioning and engagement matters, and promotes consistency with respect to Capital Power's policies and practices across the organization. Additionally, Capital Power has a Diversity and Inclusion Committee made up of employees from across the Company. The diversity and inclusion strategy was drafted in 2019 and is currently under review. **Specific Actions:** In 2021, in order to continue to foster an inclusive workplace culture, we will be undertaking the following: • Review policies, programs and processes to identify structural bias and/or institutional prejudice and develop a plan to remove them To enhance the engagement of our employees, we offered a variety of virtual and online platforms to assist the employees with their development. **Onboarding for Employees** • Strong Start Orientation and Onboarding Program **Leadership Development Courses** • The Coaching Habit workshop • iLead • Unconscious Bias and Inclusivity workshop **Professional Development Courses** • Connecting Through Listening • Communicating with Impact • Presenting and Writing with Influence • Working Smart with Outlook • Unconscious Bias and Inclusivity online module **Professional Development Programs** • After Hours Professional Development Program • Mentorship Program – Powering Pairs

Disclosure Number	Disclosure Title	Response
GRI 404: Training and Education		
103-2	The management approach and its components	**Online Learning Platform** We utilized LinkedIn Learning to support our leadership development program. To assist leaders who were required to lead remotely, we promoted the following topics: • Leading a team virtually • Leading virtual meetings • Preparing for a performance review (leader vs employee) **Grievance Mechanisms:** Each union has a dispute resolution process that is in their respective collective agreements. The intention of the dispute resolution process is to achieve solutions to disputes that contribute to positive, collaborative working relationships and that are mutually agreeable. Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). Capital Power 2020 Integrated Annual Report > Training and Leadership Development > p. 30
103-3	Evaluation of the management approach	**Employee Skills Inventory (360 Assessments):** All leaders who have been with the Company for at least a year can participate in an competency assessment. Additionally, some employees may also complete a competency assessment if warranted. These assessments are one part of our talent development process. Assessments vary depending on position level and are formally done through a third-party consulting firm. These assessments provide the foundation for an employee's development plan. In 2020, we have completed six assessments. **Voices 360-Degree Assessment:** Leaders participate in a 360-degree assessment, administered by a third party. The employee is asked to provide 10 to 15 raters across the organization to assess work-related behaviour and performance against 26 competencies. The leader is debriefed and receives a feedback report to understand their strengths and development needs. **ViaEdge Assessment:** This self-assessment tool analyzes work preferences and values, personality characteristics, life experiences and work-related behaviours to understand an individual's learning agility. Due to the pandemic, all 360 assessment debriefs were successfully held virtually in 2020. To assist in the evaluation of the management approach regarding training and development, we use our engagement scores and the facilitator for a session gathers anecdotal feedback to ensure we are aligned and meeting the competencies of the organization. We have made no major adjustments to our management approach in 2020.
404-1	Average hours of training per year per employee	**Average hours of training in 2020** (see table below) The average hours of training per year per employee was 17 in 2019. **Note:** Training hours were lower in 2020 as in-person classes were deferred and/or cancelled due to COVID-19. We expect training sessions to go back to normal hours when it is safe to gather again.

Average hours of training in 2020

Employee category	Average hours of training
Organization	13
Senior leadership	8
Frontline leadership	12
Individual contributor	15
Contingent worker	6
Male	14
Female	9

Disclosure Number	Disclosure Title	Response
GRI 404: Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	**Capital Power School of Business (CPSB):** To help drive our culture of learning and development, the Capital Power School of Business (CPSB) offers courses that support professional growth in communication, personal organizational skills and effective business writing. **iLead – Leadership Development:** We also offer comprehensive leadership development through iLead Leadership Development, which we created with Development Dimensions International (DDI). This custom-built program leverages research in the science and practice of leadership strategy. The iLead Program establishes rich, broad, bench strength around the theory and best practices of effective leadership within Capital Power. Through four distinct levels, iLead offers interactive learning for leaders to share learning and insight, and grow with others in a similar role. Leaders gain new ideas, concepts and planning tools to apply on the job. **Strong Start Orientation and Onboarding:** Our interactive Strong Start Onboarding Program welcomes new employees and gives them a foot forward in their first 100 days on the job. A new employee participates in both an online e-learning program and interactive classroom session that enhance their knowledge of the organization. There is also an opportunity to network and interact with our CEO or a senior executive, who shares insight into the organization and explains our vision, mission and values. New employees then create a Powering Up plan (three-month development approach) and Plugging In plans (internal business networking strategies). For new employees who are not located in our head office, we offer virtual sessions to ensure all employees receive a positive onboarding experience that fits the needs of the business. We require all new employees to complete the following courses online: • Strong Start online module • Security • Ethics • Unconscious Bias and Inclusivity • Life Safety Critical Rules • HSE orientations • Alcohol and Drug (training for employees and managers) • Additional HSE training as required • Cyber Security • Purchasing Due to COVID-19, we added a new virtual onboarding process for new remote employees and their remote leaders. This process included one-on-one coaching and resources to support a seamless virtual onboarding experience. **Online Learning:** Capital Power delivers its online learning initiatives through a learning management system called “Blueprint.” The learning management system enables employees to manage and complete their learning online 24/7, and it contains essential and developmental courses all in one location. In Blueprint, employees can: • Access personalized learning plans based on their position • Search, launch and complete training courses • View and complete pre- and post-work for courses • Access transcripts for active and completed learning • Be notified about assigned, completed and past-due training • Print completion certificates for their courses

Disclosure Number	Disclosure Title	Response
GRI 404: Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	**Communication** • **Presenting and Writing with Influence** – to help employees (using neuroscience) consistently engage diverse audiences and achieve results every time in written and verbal communication. • **Connecting through Listening** – to help employees learn advanced listening techniques to connect with diverse audiences – even in the most challenging communication scenarios. • **Communicating with Impact** – to help employees enhance interpersonal relationships by conducting more successful discussions. **Team Sessions** Capital Power recognizes the importance of high-functioning and collaborative teams. Team sessions: • Create a sense of unity • Increase employee engagement • Improve interpersonal and communication skills • Increase awareness of team culture and individual differences • Improve effectiveness and productivity • Provide feedback • Encourage effective listening • Set expectations In-house, facilitated sessions can be customized based on the needs and objectives of the group. Typical sessions include such topics as: • Personality Dimensions • Strength-based approach (Gallup's Strengths Finder) • Create a team charter • Conflict styles • The five dysfunctions of a team • Change management • Communication • Effective meetings **LinkedIn Learning:** To support our employees during COVID-19, Capital Power acquired the ability for our employees to utilize LinkedIn Learning. Employees have focused on learning about the following skills: • Personal development • Time management • Leadership • Team leadership • Microsoft excel • Mental health • Communication • Career management **After-hours Personal Development (AHPD) Program:** For permanent employees, AHPD funds learning and development opportunities, including certificates, diplomas, degrees or individual courses at an accredited post-secondary institution or professional association. These courses are completed during the employee's personal time and may be directly or indirectly related to their current job. Costs of up to $3,000 (for full-time employees) or $1,500 (for part-time employees) can be claimed for eligible expenses in a calendar year.

Disclosure Number	Disclosure Title	Response
GRI 404: Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	**Power Pairs Mentoring:** Capital Power continues to grow its internal mentoring program based on the thought that everyone has something to give and something to learn. Power Pairs is a mentoring program that helps guide personal and professional development. Mentors and mentees complete a confidential profile, using a third-party matching tool, that assists in finding the best matches based on their skills, interests and goals for the program. People Engagement and Development oversees the matches and helps coordinate the best start to the relationship. Participants can join any time throughout the year. **Talent Development:** Leaders at all levels of the organization help identify, develop and retain talent. The talent development program includes talent reviews and a succession planning process to identify successors and critical talent. The program ensures we continue to develop our people to enhance their skills and knowledge to meet our ever-changing work environment. It is our agility and high-calibre people that allow us to grow, progress and succeed. As a result of the pandemic, all the talent reviews were successfully conducted virtually. **Career Development:** Capital Power encourages all employees to create individual development plans. In our development planning workshops, employees are introduced to the tools, assessments and resources available for career planning. The session incorporates a hands-on approach, with employees working on their individual development plans using these tools. As a result of the pandemic, career development workshops were successfully conducted virtually. We partner with a third-party talent management company that provides transition support and assistance to all employees who are part of a non-voluntary termination. Services for each employee are customized depending on their individual needs, and can include assistance to cope with change, personal career focus, effective job search strategies, marketing tools and career evaluation. **Leadership Development** **The Coaching Habit for all people leaders** – to better equip leaders to have more frequent, inclusive and meaningful “coach-like” conversations to increase engagement, innovation and performance. This acquired skill will build the foundation for having difficult conversations and providing effective performance feedback.
404-3	Percentage of employees receiving regular performance and career development reviews	619 employees were eligible for a performance rating in 2020 and 607 employees received them. **Breakdown by gender of those who received a performance rating** Male: 435 Female: 172 12 employees have worked less than three months (did not receive a rating) Male: 6 Female: 6 **Breakdown by contract type of those who didn’t receive performance ratings or aren’t eligible for them** Union (participate in the process but do not receive a rating): Total union: 89 Male: 81 Female: 8 Temporary employees (do not qualify for ratings): Total: 23 Male: 14 Female: 9

Disclosure Number	Disclosure Title	Response
GRI 405: Diversity and Equal Opportunity		
103-1	Explanation of the material topic and its Boundary	Capital Power employees represent a talented and diverse workforce. We understand that achieving the full potential of this diversity is a business priority that is fundamental to our competitive success. We respect and value the diversity among Capital Power's employees and all our stakeholders who we engage with. We expect our leaders to foster a work environment free of all forms of discrimination and harassment. To provide equal opportunity for applicants and employees in Canada and the U.S., we implement programs and provide resources on behalf of diverse (or underrepresented) groups, such as women, minorities, people with disabilities and protected veterans, that are covered under the law. This also includes people services programs that ensure equity in compensation and opportunity for growth and development. We also have a company-wide diversity and inclusion employee committee; it helps to guide our diversity and inclusion strategy across our Company. We report diversity measures for employees by category and gender, but do not publicly disclose minority or vulnerable group categories. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Capital Power has a Diversity and Inclusion Committee. The executive sponsor of this committee is the SVP, People, Culture and Technology. The role of the cross-functional committee is to build alignment and understanding of what D&I means for Capital Power, engage to develop specific actions and accountabilities across the Company to foster and promote D&I and formally connect employees with diverse perspectives across the organization, and facilitate the evolution of the organization as a diverse and inclusive workplace. As we operate in a largely male-dominated industry, particularly in certain trades and professions, we recognize that additional progress will take time. The COVID-19 experience has demonstrated that we have great people, and the organization is bound together by a strong and positive culture. As we come out of the pandemic, our work world will be different; likely much more flexible. The Senior Vice President of People, Culture and Technology will be responsible for leading the Executive Team in determining what our work environment will be in the shorter term as we take steps back towards normal and what our work world will evolve to over the next number of years. Critical to our success will be maintaining and building on our great culture. To align with the above strategy, we have seen the following changes: 1. We've changed the team from *People Service* to *People Services* to better reflect our culture of putting people first, and as such we've updated the senior leaders' titles. 2. The Corporate Governance Compensation and Nominating Committee (CGCNC) changed their name to People, Compensation and Governance Committee to be more aligned with our focus on diversity and inclusion. **Policies** • ***Ethics Policy*****:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	Response
GRI 405: Diversity and Equal Opportunity		
103-2	The management approach and its components	• ***Respectful Workplace Policy***: This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16. **The following internal policies (not publicly available) also guide our activities:** • ***Part-time Work Policy***: Our *Part-time Work Policy* offers full-time employees an additional benefit. Full-time employees can benefit from the flexibility that a part-time arrangement provides for an extended period of time to manage work-life balance. They can choose to remain part-time or return to a full-time schedule at some point in the future. • **Our *Commitment to the Protection of Personal Information and Privacy Policy***: At Capital Power, personal information is maintained as strictly confidential. Unless an individual authorizes Capital Power to disclose personal information, or the disclosure of that personal information without consent is required or permitted by law, we will not disclose personal information to any third parties. • ***Security Policy***: This policy reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. • ***Temporary Flexible Workplace Arrangements Policy***: Short-term, acute, family or personal responsibilities can sometimes place a significant amount of strain on work-life balance. To assist employees in maintaining balance during this temporary period, employees use the opportunity to add flexibility to their work arrangement through short-term, customized arrangements. **Programs and Initiatives** • At Capital Power, delivering ***Responsible Energy for Tomorrow*** means advancing the participation of women in energy and closing the gender gap. Our Diversity and Inclusion (D&I) Committee is proud to announce that we've joined the Equal by 30 campaign to demonstrate our commitment to gender equity as an integral part of the global transition to clean energy. • Equal by 30 is part of the global Clean Energy Education and Empowerment (C3E) initiative, co-sponsored by the International Energy Agency (IEA), and championed in Canada by the Federal Government through Natural Resources Canada. The initiative believes gender equality is essential to successful clean energy transformation and asks the public and private sectors to endorse principles, set commitments and take concrete actions to support women in energy and help close the gender gap. **Goals** • We would like to increase our percentage of female leaders in Operations, Trading, Information Systems and Engineering • We have a goal to maintain 30% female executives as part of the Executive Team. See gender breakdown under GRI 102-8.

Disclosure Number	Disclosure Title	Response
GRI 405: Diversity and Equal Opportunity		
103-2	The management approach and its components	Through our participation in Equal by 30, we're endorsing and committing to these high-level principles: • We aim to lead by example, integrating equality principles into our organization and policies • We will step up our efforts to promote gender diversity activities in areas of recruitment and career advancement • We pledge to highlight and support women and close the gender gap in our business • We will provide leadership, and share our experiences and lessons learned on gender diversity programming and initiatives • We recognize the importance of reporting on progress and will support efforts to improve the collection of gender disaggregated data to report on our progress in a transparent and open manner The D&I Committee meets to work on and implement Capital Power's D&I strategy. Current initiatives to promote equal opportunity and diversity include: **Education and Awareness:** Developing materials and a deployment plan around D&I with a goal to increase knowledge and understanding and decrease biases (judgment) around D&I across the Company. All employees have had the opportunity to participate in unconscious bias and inclusivity training. A new online module on unconscious bias has been rolled out to all individual contributors and new hires. In addition, all employees have access to additional resources (webinars and white papers) through our Catalyst membership. **Flexible Workplace Arrangements:** We are exploring our existing Temporary Flexible Work Arrangement and Part-time policies for opportunities to open the door for discussion around flexible work in support of D&I. Now we are looking to understand what the new normal may look like as we emerge on the other side of the pandemic. We must capitalize on what we learned about the new ways of working while retaining what we value most about our culture. We updated our D&I company-wide strategy and in 2020, CEO objectives were updated to strengthen the diversity of our workforce by increasing the diversity of our candidate pool. The following programs help to promote diversity and inclusion throughout the organization: **Unconscious Bias and Inclusivity** We continue to roll out unconscious bias and inclusivity training to our leaders and individual contributors in the organization – to help employees retrain themselves to disrupt their default thinking to ensure that unintentional stereotyping doesn't lead to missed opportunities and help them learn to identify unconscious bias in themselves and others, and develop inclusive (leadership) skills. **Mentorship Program** **Power Pairs** is a mentoring program that helps guide personal and professional development. It's an internal mentoring program based on the premise that everyone has something to give and something to learn. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). Capital Power 2020 Integrated Annual Report > Attracting and Retaining a Diverse Workforce > pp. 28–29

Disclosure Number	Disclosure Title	Response
GRI 405: Diversity and Equal Opportunity		
103-3	Evaluation of the management approach	To evaluate the effectiveness of our approach to managing diversity and equal opportunity, we track lateral moves and promotions. To evaluate the effectiveness of our diversity and inclusion training, we request participants complete workshop evaluations. To evaluate the effectiveness of attracting diverse candidates, we track our diverse candidate interviews and hires.
405-1	Diversity of governance bodies and employees	See below

Percentage of individuals on the Board of Directors by gender, age and region in 2020

Gender

	Number of Board Members	Percentage
Male	5	55.6%
Female	4	44.4%

Age Group

	Number of Board Members	Percentage
Under 30 years	0	0%
30–50 years	1	12.5%
Over 50 years	8	87.5%

Other Indicator – Country

	Number of Board Members	Percentage
Canada	6	66.7%
U.S.	3	33.3%

Notes:

- Age is based on Board member's age as of December 31, 2020
- CEO is included in Board representation

Percentage of employees per employee category by gender, age and region in 2020

Gender

	Female (Number/ Percentage)	Male (Number/ Percentage)
Executive	3/42.9%	4/57.1%
Upper Management	24/22.4%	83/77.6%
Professional	107/38.5%	171/61.5%
Administration	37/97.4%	1/2.6%
Operations	18/5.3%	321/94.7%
Traders	3/17.6%	14/82.4%

Disclosure Number	Disclosure Title	Response

GRI 405: Diversity and Equal Opportunity

405-1 | Diversity of governance bodies and employees

Age Group

	Under 30 years (Number/ Percentage)	30–50 years (Number/ Percentage)	Over 50 years (Number/ Percentage)
Executive	0/0%	1/14.3%	6/85.7%
Upper Management	0/0%	62/57.9%	45/42.1%
Professional	20/7.2%	196/70.5%	62/22.3%
Administration	2/5.3%	26/68.4%	10/26.3%
Operations	33/9.7%	170/50.1%	136/40.1%
Traders	5/29.4%	12/70.6%	0/0%

Other Indicator – Country

	Canada (Number/ Percentage)	U.S. (Number/ Percentage)
Executive	6/85.7%	1/14.3%
Upper Management	94/87.9%	13/12.1%
Professional	261/93.9%	17/6.1%
Administration	35/92.1%	3/7.9%
Operations	228/67.3%	111/32.7%
Traders	17/100%	0/0%

Notes:

- CEO is included in executive representation
- Figures and percentages are based on all permanent employees in both Canada and the U.S. (excludes Board, pensioners and employees on long-term disability)
- Age is based on the employee's age as of December 31, 2020

405-2 | Ratio of basic salary and remuneration of women to men

Ratio of basic salary

	Ratio:
Executive	3 women earned $72 per $100 earned by 4 men
Upper Management	24 women earned $93 per $100 earned by 83 men
Professional	107 women earned $97 per $100 earned by 171 men
Administration	37 women earned $118 per $100 earned by 1 man
Operations	18 women earned $79 per $100 earned by 321 men
Traders	3 women earned $98 per $100 earned by 14 men

Ratio of remuneration

	Ratio:
Executive	3 women earned $50 per $100 earned by 4 men
Upper Management	24 women earned $91 per $100 earned by 83 men
Professional	107 women earned $96 per $100 earned by 171 men
Administration	37 women earned $116 per $100 earned by 1 man
Operations	18 women earned $77 per $100 earned by 321 men
Traders	3 women earned $89 per $100 earned by 14 men

Significant locations of operations are countries that Capital Power operates in.

Disclosure Number	Disclosure Title	Response
GRI 406: Non-discrimination		
103-1	Explanation of the material topic and its Boundary	Capital Power is committed to maintaining a culture focused on trust and respect, with integrity being viewed as one of our most important and valuable assets. **Boundaries:** All Capital Power's operating regions and business units; Capital Power employees. We abide by all state, federal and provincial laws regarding employment. With respect to hourly employees, in addition to abiding by all state, federal and provincial laws, we follow requirements outlined in the respective collective agreements in place (see GRI disclosure 102-41). To ensure practices are in place to promote equal opportunity and non-discrimination for applicants and employees in Canada and the U.S., we implement programs and provide resources on behalf of diverse (or underrepresented) groups, such as women, minorities, people with disabilities and protected veterans, that are covered under the law. Capital Power is committed to providing a safe, healthy and supportive workplace for our employees and agents, where individuals are treated with respect, fairness and sensitivity. Employees and agents must therefore treat each other with dignity and foster an atmosphere of open communication, trust and mutual respect, in keeping with the following: a) promoting and maintaining a common understanding of the expectations and behaviours considered appropriate in Capital Power's workplaces; b) taking action to prevent and/or address incidents of inappropriate behaviour, discrimination and harassment wherever Capital Power business is conducted; and c) taking action to prevent and/or address incidents of violence wherever Capital Power business is conducted. Capital Power does not tolerate and is committed to eliminating the hazards of workplace discrimination, harassment, sexual harassment and violence. Capital Power will investigate, and take corrective action to address, all incidents of workplace discrimination, harassment, sexual harassment and violence. Capital Power is committed to treating everyone fairly and equitably and will not tolerate any discrimination of or by an employee or agent on the basis of a Protected Ground. Capital Power will assess all applicants and employees by their qualifications, demonstrated skills and achievements without regard to any of the Protected Grounds. We expect our leaders to foster a work environment free of all forms of discrimination and harassment, including sexual harassment. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12

Disclosure Number	Disclosure Title	Response
GRI 406: Non-discrimination		
103-2	The management approach and its components	Capital Power is committed to providing a safe, healthy and supportive workplace for our employees and agents, where individuals are treated with respect, fairness and sensitivity. While not a signatory to the UNGC, our approach takes into account the 10 UNGC Principles in the areas of labour, environment, anti-corruption and human rights. As a company operating in North America, we support and respect internationally proclaimed human rights, framed under the Universal Declaration of Human Rights, and the core labour standards set out by the International Labour Organization. Our *Respectful Workplace Policy* outlines the expectations and behaviours considered appropriate in Capital Power workplaces and references the *Alberta Human Rights Act*, the *British Columbia Human Rights Act*, the *Ontario Human Rights Code* and internal policies. Capital Power respects human rights by acting with due diligence, as defined in the UN Guiding Principles for Business and Human Rights, which include a right to non-discrimination. We are committed to eliminating all types of discrimination on the basis of a Protected Ground, which includes (but may not be limited to) race, religious beliefs, skin colour, gender, gender identity, gender expression, physical disability, mental disability, age, ancestry, place of origin, marital status, source of income, family status, sex (including pregnancy and breast-feeding), record of offences, political belief or sexual orientation. We are committed to providing equal employment opportunities to every qualified candidate in all aspects of employment, including recruiting, hiring, disciplinary actions, opportunities for growth and development, promotion, and pay and benefits. We evaluate employees based on their abilities, achievements, experiences and conduct, with decisions based on the needs of the area, job requirements and the individual's qualifications. For more details, refer to GRI 405. **Policies** • ***Health, Safety and Environment Policy***: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy***: We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy***: This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16. **The following internal policies (not publicly available) also guide our activities:** • ***Part-time Work Policy***: Our *Part-time Work Policy* offers full-time employees an additional benefit. Full-time employees can benefit from the flexibility that a part-time arrangement provides for an extended period of time to manage work-life balance. They can choose to remain part-time or return to a full-time schedule at some point in the future.

Disclosure Number	Disclosure Title	Response
GRI 406: Non-discrimination		
103-2	The management approach and its components	• **Our *Commitment to the Protection of Personal Information and Privacy Policy*:** At Capital Power, personal information is maintained as strictly confidential. Unless an individual authorizes Capital Power to disclose personal information, or the disclosure of that personal information without consent is required or permitted by law, we will not disclose personal information to any third parties. • ***Security Policy*:** This policy reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. • ***Temporary Flexible Workplace Arrangements Policy*:** Short-term, acute, family or personal responsibilities can sometimes place a significant amount of strain on work-life balance. To assist employees in maintaining balance during this temporary period, employees use the opportunity to add flexibility to their work arrangement through short-term, customized arrangements. With respect to our unions (see GRI 402 Labour Relations), we abide by all applicable national and/or local legal requirements and also all requirements outlined in each union's respective collective bargaining agreements, and follow all regulatory requirements. **Special Actions** • As a member of Catalyst we seek to improve diversity across our organization. See GRI disclosure 102-41. • In 2020, as part of this year's corporate compliance program, we reviewed our Internal Compliance Plan, including our policy and procedures related to the *Respectful Workplace Policy* and associated communications and training **Responsibilities:** Capital Power's Labour Relations group maintains meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to HR business partners and management on talent recruitment, training, transitioning and engagement matters, and promotes consistency with respect to Capital Power's policies and practices across the organization. Capital Power's Chief Compliance Officer reviews the *Respectful Workplace Policy* and *Ethics Policy* at a minimum on an annual basis, or when circumstances dictate a more frequent review, including if incidents precipitate that a review take place earlier. In addition, training on each policy element is provided to all employees and major contractors on a biennial basis, at a minimum, unless circumstances precipitate that training be provided more frequently and on a specific topic or area. The Chief Compliance Officer, Security, People Service and Labour Relations may partner on managing claims related to discrimination, harassment, retaliation, workplace violence and other workplace conduct, including but not limited to workplace conflict and any performance-related concerns. The Chief Compliance Officer works in partnership with People Service, Internal Audit and Security to investigate actual or alleged wrongdoing in a fair, thorough and expedient manner, and implements mitigation plans, as required.

Disclosure Number	Disclosure Title	Response
GRI 406: Non-discrimination		
103-2	The management approach and its components	**Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). Investigations into employee, contractor or external party concerns are conducted in accordance with Capital Power's Ethics Investigation Procedures, highlighted in Appendix A to our *Ethics Policy*. Results of all investigations are tracked to identify trends that may indicate a need for focused training, additional controls and to ensure consistency. In addition to the annual review of the *Ethics Policy* and *Respectful Workplace Policy*, an outreach and communications plan was developed in 2020, taking into consideration the 2021 training initiatives on workplace discrimination, harassment, sexual harassment and workplace violence. A comprehensive review of Capital Power's Internal Compliance Plan and all associated procedures and processes was conducted in 2020, including areas related to respectful workplace issues. A dynamic risk-based assessment was developed to monitor compliance risk associated with major compliance risk areas, including areas related to respectful workplace issues.
103-3	Evaluation of the management approach	Some of the ways we evaluate to ensure discrimination does not occur include: • Promoting and maintaining a common understanding of the expectations and behaviours considered appropriate in our workplaces; and • Taking action to prevent and/or address incidents of inappropriate behaviour, discrimination and harassment wherever our business is conducted. We do not tolerate and will investigate and take corrective action to address all incidents of workplace discrimination, harassment and sexual harassment. In addition to the annual review of the *Ethics Policy* and *Respectful Workplace Policy*, an outreach and communications plan was developed in 2020, taking into consideration the 2021 training initiatives/topics and target audience on workplace discrimination, harassment, sexual harassment and workplace violence. **Grievance Mechanisms:** As outlined in our *Ethics Policy*, Capital Power wants to ensure we provide a supportive and positive work environment, and we provide a number of channels so that employees can comfortably and safely raise any concerns they may have on discriminatory behaviour. These channels include: Capital Power's Integrity Hotline; a direct supervisor; Capital Power's Chief Compliance Officer; Capital Power's People Service Business Partner or Senior Manager, Employee Relations; any member of Capital Power's Executive Team; or either the Chair of Capital Power's Audit Committee or the Chair of Capital Power's Board of Directors. Our Integrity Hotline is managed by a third party and is a confidential and anonymous communication channel for both our internal and external stakeholders, including employees, to submit any concerns they may have about Capital Power. Through the hotline, anyone can submit ethical concerns in good faith without fear of retaliation. Results on material issues are communicated to the Audit Committee on a quarterly basis. Annual results of substantiated violations of Capital Power's *Respectful Workplace Policy*, including disciplinary actions, are communicated to the Audit Committee through the Chief Compliance Officer's Annual Report. As circumstances dictate, updates and/or revisions are made to policies, procedures and/or practices to mitigate risks. In addition, training and additional controls are put in place to educate staff on such updates and/or revisions.
406-1	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination reported in 2020.

Disclosure Number	Disclosure Title	Response
GRI 413: Local Communities		
103-1	Explanation of the material topic and its Boundary	A timely and effective stakeholder identification and engagement process, which includes Indigenous relations, and a community investment process are important to help us understand: 1. the needs, interests, priorities and vulnerability of local communities; 2. how our developments and operations impact the communities where we operate; 3. how we can develop and operate facilities as part of the community and best mitigate concerns and impacts; and 4. how we can work together, support and give back to the community to generate positive, lasting impact and relationships. We conduct stakeholder engagement and community investment activities in and around the communities where we operate, develop and build power generation facilities in Canada and the U.S. Our community investment also supports our head and corporate office communities. A number of our facilities and development projects are located in rural areas, and we often take an expansive and inclusive geographic approach to stakeholder engagement and community investment and build relationships in multiple communities. Capital Power's business activities impact communities and stakeholders in positive and negative ways. Positive impacts often include local employment, contracting and use of local services, especially during construction and maintenance periods, sources of taxation for local governments, local sponsorships and community investment support, the development of new sources of renewable energy and reliable electricity generation. Negative impacts may include emissions from our facilities, disruptions due to construction (dust, noise, traffic) or operational activities (noise, lighting), visual, wildlife and environment (ground and vegetation disturbance) impacts. We are inclusive in our stakeholder engagement process and meet, listen and engage with those who want to discuss any of our projects regardless of physical boundaries. Our practice is to engage with the communities near our operating facilities and development projects, or in a specific region where our facilities or projects are located. Similar to our stakeholder engagement process, our community investment program supports the communities that are geographically close to our operations or in a specific region that our facility is a part of. Programs, events and organizations that provide a direct benefit to the residents and visitors of these communities are considered for support. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Our approach to stakeholder and Indigenous relations and community investment is founded on respect, transparency and our goal of developing enduring relationships that recognize the unique circumstances of communities and stakeholders. Our actions are guided by internal standards, values and our operating culture, which have been tested and enhanced since our formation in 2009. Our Stakeholder Engagement Standards and Practices Guide ("Engagement Guide") outlines our approach to stakeholder engagement and provides procedures, tools and options to implement at any phase of a project's life cycle (development, construction, operations, decommissioning). The Engagement Guide outlines a management process that provides a high degree of coordination between project team members and is scalable to specific project engagement requirements (i.e., environmental assessments, license renewals, etc.). This document is updated and evaluated from time to time, generally after completing milestones of significant engagement processes. Capital Power's community investment process (community funding) often complements this project-specific work, helping to further build a foundation for strong community relations.

Disclosure Number	Disclosure Title	Response
GRI 413: Local Communities		
103-2	The management approach and its components	Our approach to Indigenous engagement is outlined in the Company's Indigenous Relations Handbook. This is a tool developed for business teams that will be engaging First Nations and Métis communities as part of our project development and/or operations activities. The Handbook notes that "Indigenous peoples hold a unique place in Canadian society, culture, history and law" and provides specific guidance in how to work with Indigenous communities in a manner that is culturally sensitive, respectful, honest and effective. Our community investment program is managed through an online request system. Organizations requesting support from Capital Power can apply through the online system. Requests are reviewed for fit within the program guidelines and budgets and processed. As a result of the COVID-19 crisis, our program was adapted to support those most in need. Working closely with facility managers and community groups, we identified the local organizations providing direct COVID-19 support. We moved our annual fall giving campaign to May to enable employees to maximize their support using our matched-giving program. During this **Let's Rally Together** campaign, employee donations were matched with no limit. As unemployment soared, businesses closed and services became overwhelmed, Capital Power employees rallied together to support our communities. In only two weeks, we rallied together to donate $534,000 to local community charities that were responding to the COVID-19 crisis. During the two-week campaign, **220 employee contributions** were matched in full by Capital Power, **with over 100 charitable organizations** in Canada and the U.S. receiving critical support during this extraordinary time. Capital Power contributed more than $1.5 million to community organizations in 2020. Through our GENerosity matched-giving program, over $172,000 in employee donations was matched by the Company. Our GENerosity program provided support to 224 charitable organizations in 2020, all chosen by our employees. Our employee volunteer program, EmPowering Communities, saw 121 employees participate in 2020. This is down from previous years due to reduced volunteer opportunities resulting from COVID-19 restrictions. Despite these restrictions, employees reported over 5,300 volunteer hours and directed $62,500 to charitable service organizations through the program. We conduct stakeholder engagement and community investment to have meaningful two-way engagement with communities in relation to our projects and operations. We seek to understand community interests and priorities and our potential impacts to them. Our goal is to learn from these discussions, build strong and enduring relationships, and work toward a strong, vibrant future within the communities in which we operate. The Company does not have a specific stakeholder engagement or community investment policy. Our processes and commitments to both stakeholder engagement and community investment are documented internally, whether through the Stakeholder Engagement Guide, the Indigenous Relations Handbook or internal plans developed annually with facility managers. The Company regularly reviews and adapts its approach to address challenges. **Commitments:** Our commitment to improving the quality of life where we live and work pushes us to find new and creative ways of strengthening our communities. We work with community members and invest in citizen-led projects to preserve and strengthen community character, ecology and heritage. Our commitment is to support meaningful, grassroots initiatives and programs; we help create healthy and sustainable communities.

Disclosure Number	Disclosure Title	Response
GRI 413: Local Communities		
103-2	The management approach and its components	We are committed to earning our place as a respected member of the community. With every project, every facility and every initiative, we work to understand the interests and priorities of those who have a direct stake in the safe and environmentally sound operations of our facilities, and then strive to align our development and operating practices accordingly. **Responsibilities:** The Engagement Guide outlines team accountabilities for a range of stakeholder engagement initiatives. The overall program is managed by stakeholder engagement staff who have accountabilities to the project manager. A range of specialists (environment, engineering, operations, etc.) are often involved in stakeholder engagement processes to ensure stakeholders have accurate information. Similarly, the Indigenous Relations Handbook identifies roles that will be necessary to support positive and productive relationships over time with Indigenous communities. The community investment program is managed by our community relations staff who engage facility managers and other internal key parties as required. Community Relations develops annual plans together with facility managers and key community contacts. This collaborative approach ensures that we are aligning our community support program with the needs of the local communities. **Resources:** The Engagement Guide supports teams in designing stakeholder engagement programs. It recommends the range of specialists who should form the engagement team, provides ideas for identifying regulatory requirements relevant to stakeholder engagement and outlines how to identify key stakeholders. Generated from best practices and the Company's experience, the Engagement Guide also provides methods for stakeholder communication, including ideas for effective channels, communication materials and forms of direct stakeholder engagement (one-on-one meetings, open houses, event participation), tracking stakeholder feedback and the responses given and actions taken. Project teams can adapt and refine these approaches to suit project requirements. Our approach to Indigenous engagement is outlined in the Company's Indigenous Relations Handbook. The Handbook outlines steps for developing culturally sensitive, respectful and effective relationships throughout the project development process. It provides tools such as community research tips, contact tracking tools, capacity funding agreements, cooperation agreements and suggestions for addressing impacts directly or through impact benefit agreements. Project teams are able to adapt and refine these approaches to suit project requirements. Annually, we develop plans for delivering community investment resources to communities where we operate. This is an iterative process, incorporating learnings from previous years while giving consideration to support new initiatives and projects based on our understanding of community needs. The plans are enhanced through meetings with key operations staff and facility managers who have knowledge of the communities or who directly supervise staff who live in or near these communities. The approved plans serve as a general guideline for community investment activities, with allowances made for responding to new and emerging needs (i.e., COVID-19).

Disclosure Number	Disclosure Title	Response
GRI 413: Local Communities		

103-2	The management approach and its components	**Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index).
		• General contact information (phone and email) is posted on our website
		• We have a toll-free phone line which is provided for our operating sites, via the website. Contact information is also provided for our development sites. This line is monitored by the Company's stakeholder engagement staff. Calls are normally returned the day they are received or within 24 hours at the longest.
		• During construction, our complaint process generally runs as follows:
		  • Inbound phone calls and emails are received by Capital Power's Stakeholder Engagement team
		  • Upon receipt of a complaint, stakeholder engagement will contact the member of the construction team (Project Manager, Site Construction Manager or Commercial Manager). Complaints will then be investigated, and a response generated.
		  • Capital Power's goal is to respond to complaints within one business day, or within 24 hours at the longest, from receipt of a complaint. Certain issues may require longer than 24 hours to address and/or require multiple contacts.
		  • All contacts and complaints are logged electronically
		  • Field crews receiving a complaint will contact Capital Power with information about the complaint, either by direct phone call, email or the use of a complaint form. Field crews will also be provided with business cards with the phone line, allowing members of the public to contact Capital Power directly.
		Depending on the nature of the concern raised, additional time may be taken to address issues. As needed, stakeholder engagement staff will access other subject matter experts to address concerns. Decisions regarding grievances or concerns with our facilities are made by senior management with accountabilities for those facilities, with input from stakeholder engagement and other subject matter experts as required.
		Capital Power 2020 Integrated Annual Report > Community Engagement > pp. 45–46
		Capital Power 2020 Integrated Annual Report > Indigenous Communities and Engagement > pp. 46–47

103-3	Evaluation of the management approach	Capital Power's stakeholder engagement approach is enhanced and improved through ongoing evaluations of specific engagement projects and lessons learned once these projects have achieved certain milestones (for example, receiving a regulatory approval). The Engagement Guide provides a framework of questions to conduct these evaluations. These assist project teams in assessing the stakeholders engaged, the quality of the information provided, the effectiveness of communication channels, feedback received and how this was used. Our community investment approach is evaluated in both an ongoing and annual process. On an ongoing basis we assess the impact of our support and how it assisted groups in achieving their stated goals. In some cases, the level of corporate recognition received is also assessed. Annual plans for community investment in our operating communities are developed and discussed with our operations managers. This process allows us to assess the effectiveness of funding opportunities in the year previous. Changes are made to future plans based on ongoing evaluations of the community need and any arising issues. Capital Power's stakeholder engagement staff are accountable for documenting new learnings as well as for seeing these applied to new projects, as applicable. This process allows for Capital Power's stakeholder engagement processes and practices to undergo ongoing refinement and evolution.

Disclosure Number	Disclosure Title	Response
GRI 413: Local Communities		
103-3	Evaluation of the management approach	Our standard is to debrief and conduct a "lessons learned" exercise to capture aspects that can help improve our practices, ensuring that these reflect current realities and evolve with stakeholder interests. COVID-19 required us to adjust and adapt some of the ways in which we traditionally engaged with stakeholders. While our normal practice would have involved face-to-face events (such as open houses and landowner dinners), we adapted our processes to ensure the safety of our stakeholders and employees while continuing to provide information to stakeholders and opportunities to receive feedback directly. Instead, we held two virtual question and answer sessions, which allowed stakeholders to phone into sessions if they had questions about our projects. These sessions were advertised locally, on our website and project newsletters, and the use of the phone minimized any technical challenges our stakeholders may have encountered with other online channels.
413-1	Operations with local community engagement, impact assessments and development programs	All our operations are covered by some form of local engagement program or process the Company manages, whether through community investment, direct engagement with stakeholders, issue management or direct dialogue between facility staff and local area stakeholders. For more information, please refer to the Stakeholder Engagement section in the 2020 Integrated Annual Report (pp. 44–49)
413-2	Operations with significant actual and potential negative impacts on local communities	The core implementation strategy for our stakeholder engagement processes is to share our plans; provide multiple opportunities to receive stakeholder feedback; determine how we can implement stakeholder feedback into project planning; and modify plans wherever possible. Our engagement teams seek to learn more about potential risks and negative impacts that our projects might have. Our larger goal is to understand these risks and avoid, reduce or mitigate impacts. For example, with the announced retirement of our Southport and Roxboro facilities in March 2021 there will be impacts to the nearby communities from an economic benefits perspective, whether from employment, local contracting and spending, and local taxation. The Company pursued alternatives to retiring these facilities, however, none were successful. Regarding the Genesee repowering project, while there are benefits from an emissions reduction perspective, ceasing coal operation will result in workforce reductions at the site. The Company is working with employees to access programs to support re-training, re-employment or early retirement. Stakeholder input is documented and tracked through our standard practices, allowing teams to understand the feedback we receive and to address comments in an organized, thorough manner. As part of project design, permitting and operations, we conduct assessments to understand the impacts of our operations on local communities and seek to mitigate any potential adverse effects.

Disclosure Number	Disclosure Title	Response
GRI 414: Supplier Social Assessment		
103-1	Explanation of the material topic and its Boundary	Capital Power's supply chain has both local and global reach. Our development efforts and plant operations engage everything from large multinational equipment and service providers to local sole proprietorships. Large multinationals have extensive supply chains of their own with significant third or developing world components As a large purchaser in the areas where our facilities are located, Capital Power recognizes that local sourcing has a material impact on the local economy and social infrastructure that is supported by dollars spent locally. Benefits to Capital Power from sustainable local sourcing include reduced logistics cost and less risk to our operations and supply chain by having a local supplier able to hold and supply our goods and provide services. The boundaries are generally considered to be the activities of suppliers for our operating and construction of power generation facilities. We are a major buyer for our under-construction and operating sites and, as such, our purchasing decisions can decrease social impacts. We require our suppliers maintain high health and safety standards by grading their health and safety programs. Capital Power recognizes that its social sustainability programs can be developed into a comprehensive system that achieves a higher level of sustainability in our supply chain. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Sustainable sourcing at Capital Power includes practices to improve the social impact of our suppliers' business activities and supply chain responsibilities that are embedded across the organization with respect to the procurement of goods and services. These practices include non-cost-based selection criteria and a requirement for suppliers to follow internal or external standards relating to sustainable business practices. Sourcing is applicable to all purchases regardless of transaction dollar value, which maximizes the potential impact of sustainable sourcing requirements. The purpose of the management approach is to source suppliers and contractors that deliver optimal value to our construction and operations while also achieving a level of social sustainability by employing local trades and Indigenous workers when possible or available. Capital Power's approach uses policy, procurement process and contracting, and site management to ensure social standards are met by suppliers, and that suppliers understand our workplace standards. **Policies** • ***Health, Safety and Environment Policy***: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy***: We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy***: This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	Response
GRI 414: Supplier Social Assessment		
103-2	The management approach and its components	**The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*****:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. • **Procurement Process and Contracting:** Our procurement process requires that any prospective supplier verifies that they will meet our *Ethics Policy*, and our contracts include terms requiring suppliers to adhere to our policies. • **Site Management:** For those suppliers that conduct work on any of our sites, Capital Power employees monitor certain aspects of the work, which includes compliance with the *Ethics Policy*. Any supplier not complying will have its work stopped and said work will not recommence unless and until full compliance is achieved. **Commitments** Capital Power is committed to only using suppliers that choose to have a high safety record, which shows the commitment that for suppliers to work and to continue to work with us they must maintain a high safety record. **Goals and Targets** Capital Power has a commitment to its employees, suppliers, municipalities where we operate and shareholders to work in an environment that requires all involved to meet and exceed the health and safety targets and requirements. **Responsibilities** Each employee who is managing a supplier is required to review the safety grade of our suppliers prior to engaging in business with the supplier. We use a third-party safety program to assess the suppliers' safety ratings. If a supplier is below a target number, we require senior management approval to work with the supplier. **Resources** Third-party safety program, supply chain department and health, safety and environment department are all used to review our suppliers. **Grievance Mechanisms** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Specific Actions** Capital Power's *Ethics Policy* and *Health, Safety & Environmental Policy* are required to be followed by our suppliers and distributed as part of our purchasing requirements and processes. The purchasing process provides clear guidance for how purchases are to be conducted within the organization and provides our suppliers guidance on how to conduct business with Capital Power. Capital Power 2020 Integrated Annual Report > Sustainable Sourcing > p. 43

Disclosure Number	Disclosure Title	Response
GRI 414: Supplier Social Assessment		
103-3	Evaluation of the management approach	Capital Power is working toward an improved mechanism for evaluating the economic sustainability impacts of our procurement process. Implementation of the sustainable supply chain strategy's first phase began in the second half of 2019 and involved defining what sustainable supply chain means for Capital Power, determining responsible sourcing methods and mapping some existing initiatives in this space. Some of the work being planned for 2021 includes ensuring supplier compliance. Standardized terms agreed to with suppliers typically provide us with the opportunity to audit supplier compliance with terms of each agreement, including HS&E standards, which we apply by conducting audits each year. We're evaluating ways to incorporate more of a sustainability focus in our future sustainable sourcing strategy. On major capital projects, we require project teams to complete "lessons learned" processes throughout the project and at completion. The results support continuous improvement of our approach to supplier sourcing and the corresponding impact on sustainability.
414-1	New suppliers that were screened using social criteria	We do not have social criteria to screen suppliers
414-2	Negative social impacts in the supply chain and actions taken	We do not have social criteria to screen suppliers
GRI 415: Public Policy		
103-1	Explanation of the material topic and its Boundary	Capital Power's assets and commercial interests in the markets in which it operates, and its development interests in prospective markets, stand to be impacted by public policy measures undertaken by various levels of government, and by market operators, relating to a range of issues, including but not limited to electricity market design, transmission, carbon policy, environmental emissions and water. Accordingly, engagement with government stakeholders in current and potential operating jurisdictions is a vital enabler for business growth and ongoing sustainability of current assets as well as business growth. We participate in the legislative and regulatory processes to have a constructive dialogue with those who are creating or influencing policies that stand to have a significant impact on our business. We engage with federal, provincial, state and municipal officials to advocate on policies and legislation that have a direct impact on Capital Power and our operating assets. Capital Power engages with federal, provincial, state and municipal officials to advocate on policies, legislation and rules that may impact Capital Power's business and operating assets. Policies, legislation and rules that are most likely to have a direct impact on Capital Power's business and operating assets are: • Electricity market and transmission rules and policies • Carbon policy with an emphasis on climate change risks and opportunities • Emissions regulation and environmental policies relating to power generation development, including rules for land use, siting and water management • Energy policy, including the regulation of markets for commodities and policies and programs to incentivize any particular type(s) of generation **Environmental Impacts** Managing our impact on the environment is a critical component of our mission and corporate goals. We work to reduce our impacts on the environment, improve our performance and cultivate a future for low-carbon power generation. We are on the path toward a cleaner energy future and are advancing low-carbon energy through investments in innovative technology and new, cleaner energy sources with the integration of natural gas and renewables.

Disclosure Number	Disclosure Title	Response
GRI 415: Public Policy		
103-1	Explanation of the material topic and its Boundary	**Social Impacts** We are committed to being a responsible member of the community, improving the quality of life where we live, work and operate. Through our community investment programs, we work with community members to provide support to local programs and invest in citizen-led projects that preserve and strengthen community character, ecology and heritage. By supporting meaningful, grassroots initiatives and programs, we help create healthy and sustainable communities. We also believe that our ability to execute our strategy and maximize shareholder value is achieved by bringing together talented employees from diverse backgrounds, on an inclusive basis, to work collaboratively to meet the challenges and capture the opportunities of our business. We are committed to fostering a culture where diversity and inclusion is an element that is woven into the fabric of who we are, a key value and a means to grow and succeed. As a wholesale power generator, and an independent power producer, our operations have direct and indirect environmental and social impacts. Accordingly, we advocate directly with government and participate in relevant policy and regulatory processes with non-governmental entities and through trade associations to promote and develop science-based public policy solutions with a view to creating long-term sustainable outcomes for society and our business. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Capital Power has a dedicated Government Relations, Regulatory and Environmental Policy team that is responsible for managing and representing Capital Power's interests with respect to market, transmission and environmental policy, rules and legislation relevant to Capital Power's existing and prospective operations. In support of these efforts, Capital Power employs dedicated teams of internal and external subject matter experts to evaluate issues of concern and determine the materiality of operational, environmental, economic and social impacts. Capital Power's management of public policy-related risks is also considered within ongoing asset management, forecasting and due diligence processes relating to the Company's existing and prospective commercial initiatives. In addition, Capital Power has developed, implemented and sustained an enterprise risk management (ERM) program that identifies, assesses, categorizes, responds to, reports on and monitors key risks relating to all aspects of the Company's operations and interests. Capital Power participates in the public policy process to support informed development and enactment of public policies relevant to the Company's business to protect or enhance shareholder value. Our approach to advocacy is collaborative and we work with a wide range of stakeholders to develop and promote market-oriented, friendly, science-based solutions with a view to creating long-term sustainable outcomes for society and our business. **Policies** • ***Ethics Policy*****:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*****:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	Response
GRI 415: Public Policy		
103-2	The management approach and its components	**Commitments** Capital Power's commitment to managing public policy extends far beyond regulatory compliance. We believe in creating dependable, cost-effective and innovative electricity solutions to power a sustainable future for generations to come. Our goal is to be net carbon neutral by 2050. We are committed to staying ahead of the curve and acting as a leader within our industry when it comes to sustainability and environmental, social and governance practices. It is our responsibility to do our part to help society meet the long-term challenges facing our planet. These are essential actions to ensure we're making meaningful contributions to our world. Sustainability is an integrated and holistic practice for us, and we work to ensure our business decisions support a sustainable future for our environment, communities, people, operations and shareholders. **Goals and Targets** • Achieve net carbon neutral by 2050 • Construct all new natural gas generation units to be carbon capture and/or hydrogen ready • Reducing Scope 1 CO_2 emissions at Genesee by 50% by 2030 from 2005 levels • Reducing Scope 1 CO_2 emissions by 10% by 2030 from 2005 levels, based on our 2019 fleet[1] • Reducing Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels[1] • Invest in carbon capture and utilization technology to help us achieve net carbon neutrality by 2050 and eventually physically decarbonize our natural gas fleet (ongoing) • Complete the Genesee Carbon Conversion Centre in the first half of 2022 • Enhanced sustainable sourcing plan (2021) • Enhanced water management plan (2021) **Responsibilities and Resources** The responsibility for public policy matters resides with the Senior Vice President, Planning, Stakeholder Relations and Chief Sustainability Officer, who provides regular updates on significant or material regulatory and policy matters to the Executive Team and the Board. The Vice President, Government Relations, Regulatory & Environmental Policy (GRREP) reports directly to the SVP/CSO and is responsible for the team that engages in public policy processes in Capital Power's Canadian and U.S. markets. This SVP/CSO provides regular updates on significant or material regulatory and policy matters to the Executive Team and the Board. Capital Power's performance management framework incorporates both individual performance metrics relevant to each role, as well as corporate performance metrics. Appropriate performance metrics for public policy-related issues are included as part of the overall performance assessment for personnel with responsibilities for those matters. Capital Power has a dedicated Government Relations, Regulatory and Environmental Policy team that is responsible for managing and representing Capital Power's interests with respect to public policy. In addition, Capital Power employs dedicated teams of internal and external subject matter experts to evaluate issues of concern and determine the materiality of operational, environmental, economic and social impacts. **Grievance Mechanisms** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Specific Actions** Capital Power's dedicated Government Relations, Regulatory and Environmental Policy team is engaged in all public policy matters that have the potential to materially impact our business in the jurisdictions in which we operate.

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[1] *Our policy is to recalculate our base year emissions for any significant impacts as a result of changes in calculation methodologies and major acquisitions or divestments.*

Disclosure Number	Disclosure Title	Response
GRI 415: Public Policy		
103-3	Evaluation of the management approach	Management's approach is regularly assessed on the extent to which public policy decisions reflect or incorporate input provided by Capital Power, taking into account several considerations, including but not limited to extent of Capital Power's presence or operations in relevant market(s), significance of policy to applicable government(s) and the range of stakeholder views that may exist on any particular issue.
415-1	Political contributions	We do not make any monetary contributions for political purposes. Our engagements with public officials are disclosed in accordance with all applicable federal, state and municipal laws.
GRI 419: Socioeconomic Compliance		
103-1	Explanation of the material topic and its Boundary	A key element to achieve Capital Power's strategy and limiting corporate liability and risk is maintaining a strong culture of compliance. Capital Power employs a formal and transparent compliance program that monitors and observes all applicable market rules, laws and regulations in the jurisdictions we operate, and also stresses the importance of highly ethical behaviours among all employees and contractors we do business with. To ensure compliance, we are subjected to internal and regulatory inspections and audits, and we are also obligated to self-report any non-compliance events to the applicable regulators. Information for this disclosure represents Capital Power's disclosure of non-compliance with regulatory compliance laws and regulations pertaining to the electricity sector in the various markets we operate. The boundaries include all of Capital Power's operating regions and business units; and Capital Power employees. We abide by all state, federal and provincial laws regarding reliability standards and market rules within the markets we operate. This includes oversight, assessment, reporting and educating employees to assure compliance with internal policies and procedures as well as the laws and regulations pertinent to the electricity sector. Our facilities provide electricity to meet contractual and regulatory requirements, contributing to meeting electricity supply in the various markets we operate. We place the highest priority on mitigating regulatory compliance risk and inquiries from regulatory bodies to resolve issues in an expedient manner. We investigate potential breaches of laws and regulations and self-report non-compliant events to regulatory bodies. Data on those assets we own as part of a joint venture (JV) arrangement, with compliance requirements managed by the JV partner, is not included in this report. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	We are subject to internal and regulatory inspections and audits, and we are also obligated to self-report any non-compliance to the applicable regulatory authority. Information for this disclosure represents Capital Power's disclosure of non-compliance with Market Rules and Reliability Standards applicable to our operations in the electricity markets we operate. Capital Power operates within seven regulatory markets within North America and ensures our operations meet regulatory compliance requirements in those various jurisdictions. Employees and agents should be aware of, and must comply with, all legal and regulatory requirements applicable to their jobs and should consult with their manager, compliance, legal or other senior leaders on any uncertainty in meeting legal or regulatory requirements. **Policies** • ***Ethics Policy***: We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16.

Disclosure Number	Disclosure Title	Response
GRI 419: Socioeconomic Compliance		
103-2	The management approach and its components	Responsibilities include: • On an annual basis, Capital Power's Internal Compliance Plan and associated programs, practices and procedures are reviewed to ensure that new and emerging regulatory compliance requirements are met; • Fostering and promoting a culture that encourages ethical conduct and a commitment to ethical decision making and compliance with applicable regulatory compliance requirements; • Establishing guidelines to stakeholders on the appropriate interpretation of emerging and enacted laws, regulations, rules and/or standards; • Developing and implementing programs through policies and procedures, as required; • Educating stakeholders with respect to compliance with applicable laws, rules and standards, and acting as advisor on compliance queries from stakeholders; • Advising management on the applicable laws, regulation, rules and standards, and informing about developments in these areas; and • Conducting internal investigations on potential non-compliance incidents in a fair, equitable and objective manner. The Compliance and Ethics team is led by a Chief Compliance Officer and includes two senior compliance specialists and two compliance analysts, with regulatory compliance requirements supported by plant operations, real-time operations, engineering and security, as required. **Grievance Mechanisms:** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). We conducted a comprehensive review of Capital Power's Internal Compliance Plan and all associated procedures and processes, completed in 2020, which included areas related to regulatory compliance. A dynamic risk-based assessment was developed to monitor compliance risk associated with major compliance risk areas, with a legal review for completeness. In addition, members from the Compliance and Ethics team are involved in various compliance committees through regional regulators to ensure we remain up to date on updated, new and emerging regulatory compliance requirements.
103-3	Evaluation of the management approach	Self-reporting on non-compliance issues, including analysis on root causes, is used to assess trends and risks, with mitigating activities implemented to prevent future recurrence. Monthly surveys are conducted with plant operations to assess risk and ensure that events are addressed as soon as feasible, with risks assessed in real-time. Results on material issues are communicated to the Audit Committee on a quarterly basis, with major changes to Capital Power's regulatory obligations also communicated. Results on compliance contraventions and stats on self-reports are communicated to the Audit Committee through the Chief Compliance Officer's Annual Report. Root-cause analysis and mitigating activities are communicated to management, as required, and training developed to ensure understanding of regulatory compliance requirements. As circumstances dictate, updates and/or revisions are made to policies, procedures and/or practices to mitigate risks. In addition, training and additional controls are put in place to educate staff on such updates and/or revisions and emerging regulations and associated requirements. Capital Power 2020 Integrated Annual Report > Ethics and Integrity > pp. 16–17
419-1	Non-compliance with laws and regulations in the social and economic area	Capital Power self-reports all compliance violations to regulatory bodies. In 2020, we were assessed $11,000 in fines and penalties related to ISO market rules and licensing violations, all of which were self-reported. Capital Power 2020 Integrated Annual Report > Ethics and Integrity > pp. 16–17

Disclosure Number	Disclosure Title	Response
Innovation (INN)		
103-1	Explanation of the material topic and its Boundary	We recognize innovation as the key to creating a responsible, sustainable energy future. Through investments in technology and building a culture of innovative thinking, we are advancing low-carbon power and transforming our energy future. The ability to innovate, be it game-changing technology or incremental innovation, impacts the bottom line across the organization. A culture of innovation enables us to adapt to rapidly changing conditions, creates a competitive advantage and adds value for our shareholders. While we have made significant investments in innovation across our fleet, including converting our Genesee site from coal to natural gas in 2023, upgrading the combustion turbines at Decatur between 2019 and 2021, and implementing advanced analytics to improve the performance of our wind and thermal fleets, we have specifically measured our progress in innovation based on investment in: • Our industry-leading GPS carbon emissions reduction program that targets a 12% reduction in emissions at Genesee by 2023; and • Our equity investment in C2CNT, a company that has developed an innovative technology that transforms carbon emissions into carbon nanotube (CNT) products, and subsequent anticipated application of the C2CNT technology in our Genesee Carbon Conversion Centre (GC^3) project that would generate 2,500 tonnes of CNT per year starting in the first half of 2022, with the potential to expand to 7,500 tonnes per year. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Capital Power assesses all investments and capital spends through a rigorous internal review and valuation process. All our investment decisions are governed by the Opportunity to Asset Integration (O2AI) process that ensures generation technologies fit with our strategy, includes investment hurdle rates and requires Board approval for major capital spends. GPS investments are assessed using Capital Power's sustaining capital approvals process that is subject to annual Board approval through the internal budget process. Capital Power's equity investment in C2CNT was subject to due diligence, including engaging third-party experts to verify processes and results, as part of internal investment review and Board approval. Review of the GC3 project is ongoing and is also based on Capital Power's rigorous internal investment review process, including due diligence and engagement of third-party experts for engineering design. The project will be brought for Board approval prior to final notice to proceed. **Policies** The following internal policies (not publicly available) guide our activities: • ***Investment Policy*:** Outlines approval process for investments in existing assets or major capital projects or acquisitions. Investment in major capital projects or acquisitions must consider the term of the investment, impact on earnings and dividend, and Capital Power's ability to actively add value and project risks. Board approval occurs through a two-stage process. The Policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management and sustainability. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. **Specific Actions** In 2020, Capital Power invested $23 million in the GPS project and C2CNT combined. Capital Power 2020 Integrated Annual Report > Innovation > pp. 22–25

Disclosure Number	Disclosure Title	Response
Innovation (INN)		
103-3	Evaluation of the management approach	Our technology investments are governed by the Opportunity to Asset Integration (O2AI) process, and each investment moves through stage gates of internal review and is ultimately approved by the Board of Directors before deploying capital. Ongoing capital investments at existing facilities are managed through our Project Execution Process (PEP), which includes project implementation reviews. Our internal O2AI and PEP processes are subject to periodic internal audits that identify and implement changes as appropriate.
Asset Security (ASE)		
103-1	Explanation of the material topic and its Boundary	Protecting our personnel and assets is an important part of our culture. Employees and contractors are trained to report all security-related incidents through one of the many available reporting paths. Additionally, this is an important part of our culture and the focus of our security management program. Protection of our personnel and assets is accomplished by using a combination of best practices, such as a robust background check program for all onboarding and ongoing support of policies and procedures. These include the Security Policy Statement, Access Control Procedure, Personal Risk Assessment Procedure, Emergency Response Plans, Site Security Plans and *Ethics Policy*. Security impacts can occur at all Capital Power operating sites and projects. Our Security Policy Statement reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. Ensuring the safety and security of our people is a priority and relates directly to our overall mission statement: "To protect Capital Power's people, assets and reputation through leadership and innovative solutions while promoting a diverse environment of inclusion, collaboration and integrity." Protecting our personnel and assets is an important part of our culture. All staff are trained to report all security-related incidents through one of the many available reporting paths. All new employees and contractors are subject to various levels of background screening and are required to complete online security training. They also have access to an internal website that houses information and awareness tips on various security topics. Incidents that require third-party reporting, such as regulatory entities or law enforcement response, are captured in documents such as the EOP-004 Event Reporting Procedure, Emergency Response Plans and Site Security Plans (CIP-003). All employee investigations must be approved by our HR or ethics & compliance department, and security provides support to both departments as required. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12

Disclosure Number	Disclosure Title	Response
Asset Security (ASE)		
103-2	The management approach and its components	The security team manages the policies and procedures by combining industry best practices, education, experience and technology to mitigate the risk of security impacts while striving to maintain shareholder value. Our approach includes our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. **Policies** • ***Health, Safety and Environment Policy*:** This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy*:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy*:** This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy*:** Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. • **The Security Management Program:** Includes asset protection, is maintained annually and is updated whenever there is a change to law, regulations or industry best practices. • ***Security Policy*:** Reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. **Commitments** • To provide a safe and secure workplace for Capital Power employees, contractors and visitors • To educate employees and contractors on security-related issues in both the workplace and at home • To manage and mitigate the risk of injury or loss to Capital Power's people and assets

Disclosure Number	Disclosure Title	Response
Asset Security (ASE)		
103-2	The management approach and its components	**Resources** Multiple resources are involved with security for Capital Power: Security Policies and Procedures, Site Security Plans, Emergency Response Plans, Threat and Risk Assessments, Business Continuity Plans, Access Control Procedures, Risk Assessment Procedures, Electronic Access Control Systems, Intrusion Detection Systems, CCTV (video) systems and various forms of perimeter protection. **Grievance Mechanisms** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). Capital Power 2020 Integrated Annual Report > Enhancing Cyber and Asset Security > pp. 42–43
103-3	Evaluation of the management approach	Internal auditing includes the Integrated Site Assurance Team (ISAT) process. A physical security SME is part of ISAT, who completes an up-to-date risk assessment on the facility being reviewed. Once the risk assessment is complete, a risk ranking is attached to the facility, and subsequent physical security measures are recommended for implementation. The physical security measures are based on industry-wide best practices and benchmarking, along with Capital Power's own appetite for risk. Once recommendations are made, management has a chance to respond and attach completion dates. Internal Audit is responsible for following up on the audit recommendations and assigning risk rankings to each finding. High-risk items have Board visibility. **2020 saw the review of:** • Site Security Plans, including a threat response plan, at all operating sites • Emergency Response Plans are updated once a year for all sites • EOP-004 Event Reporting Procedure is updated once per year, at all sites • Business Continuity Plans are updated once per year • Policies and procedures are updated once per year
Disaster Relief and Resiliency Plans (DRR)		
103-1	Explanation of the material topic and its Boundary	The emergency management program exists to reduce the risk to people and assets before and during a disaster, help mitigate the effects of the disaster on operations and assist with recovery efforts to resume normal operations. The emergency management program is based on two voluntary standards: Canadian Standards Association Z1600 – Emergency Management and Business Continuity (Canada) and National Fire Protection Association 1600 – Standard on Disaster/Emergency Management and Business Continuity (U.S.). Disaster impacts can occur at all Capital Power operating sites and projects. Our emergency management program reinforces our commitment to business resiliency for our employees, contractors, visitors and people in the communities in which we work and live. Emergency Response Plans (ERP) are created and maintained at all Capital Power sites. The ERP assists with responding to emergency situations when they occur and includes procedures for notifying third parties such as local residents, regulatory bodies, government groups and emergency responders. Any mutual aid agreements would be either included or referenced in the ERP to allow for easy access during a crisis. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12

Disclosure Number	Disclosure Title	Response
Disaster Relief and Resiliency Plans (DRR)		
103-2	The management approach and its components	The Emergency Management Plan includes processes and procedures around disaster relief and resilience. This includes a site-specific Emergency Response Plan for all Capital Power sites; a Business Continuity Plan for all corporate departments, a risk-based all-hazards assessment for all Capital Power sites; and a Capital Power Crisis Management Plan to respond to emergency situations for all sites that are outside of their operational capacity. **Policies** • ***Health, Safety and Environment Policy***: This policy is intended to create, implement and maintain a Health, Safety and Environment (HSE) Management System that enables minimization of occupational injury and illness, and negative impacts to the environment, in a socially responsible and sustainable manner. For more details on this policy, refer to GRI 204: Procurement Practices, disclosure 103-2. • ***Ethics Policy***: We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Respectful Workplace Policy***: This policy describes general respectful workplace responsibilities and expectations, including those related to providing a workplace free of discrimination, harassment, sexual harassment and violence when performing work at and for Capital Power. For more details on this policy, refer to disclosure 102-16. **The following internal policies (not publicly available) also guide our activities:** • ***Investment Policy***: Outlines maintenance capital and enhancement initiatives to ensure that all our assets adhere to safety and environmental standards; for example, looking for opportunities to reduce energy by lowering heat rates and emissions across all assets. This policy also ensures that any investment being considered is assessed with respect to non-financial aspects like environment management, as appropriate. • **Enterprise Risk Management:** Operational excellence is outlined under the *Enterprise Risk Management (ERM) Policy* and includes energy management stating that the Company will safely manage, operate and maintain its facilities in a manner that optimizes efficiency, productivity and reliability, and minimize costs while reducing environmental impact. • **The Security Management Program:** Includes asset protection, is maintained annually and is updated whenever there is a change to law, regulations or industry best practices. • ***Security Policy***: Reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. • **Emergency Management Program:** An overall management framework and document that ensures a continuous emergency planning process • **Crisis Management Plan:** The document that establishes the process for the Crisis Management team to oversee and support emergency incidents for all sites that are outside of their operational capacity and require strategic guidance. **Commitments** To protect Capital Power people and assets during an emergency incident and assist with resuming normal operations. **Goals and Targets** To ensure the plan is accessible, up to date and contains the correct information. A basic emergency management dashboard is currently being utilized.

Disclosure Number	Disclosure Title	Response
Disaster Relief and Resiliency Plans (DRR)		
103-2	The management approach and its components	**Responsibilities** All emergency management plans in place have a section outlining specific responsibilities of plan owners, plan administrators and plan participants. **Resources** Consultation with site and corporate SMEs. **Grievance Mechanisms** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Current Processes** • Emergency Response Plans are updated once a year for all sites • Business Continuity Plans are updated once per year • The Crisis Management Plan is updated annually (unless changes to staffing or assets require additional updating) Capital Power 2020 Integrated Annual Report > Ensuring Operational Resiliency > pp. 40–41
103-3	Evaluation of the management approach	A gap analysis was completed on our Emergency Management Plan with testing during the GridEx V exercise. Findings and changes are to be rolled out in 2021 as a result of the COVID-19 initiatives.
Cyber Security (CSE)		
103-1	Explanation of the material topic and its Boundary	Cyber security works to prevent cyber-attacks, data breaches, identity theft and disruption to our core business of generating power. Cyber security is critical to our business and continues to evolve with the ever-changing rapid attacks that occur against our sector, and data security and privacy threats continue to evolve and escalate. A successful cyber-attack can cause major damage to our business. A security breach can affect our bottom line, and our business' reputation and consumer/employee trust, with financial, reputational and legal impacts, and increased costs to maintain and update operational security systems and/or infrastructure. In this ever-changing landscape it's important to keep current with the threats (noted in the Symantec ISTR): • Overall ransomware is down 20% while enterprise ransomware is up 12% • Supply chain attacks are up over 78% • The average number of organizations targeted per attack group is 55 Capital Power has not experienced any financial losses related to technology failure, cyber-attacks or security breaches; we remain vigilant. For Capital Power, cyber resilience has two dimensions: to protect our systems and to detect and respond to any anomalies promptly. We need to protect the systems that process information, some of it being commercially sensitive or that impacts our ability to conduct business. We also need to protect the operations of our power generation and other critical infrastructure components, given that anomalies in any part of our value chain may compromise safety or lead to power disruptions. It is not only our own systems that we are concerned about. With increasing business-to-business communications, we have to be aware and conduct routine risk assessments and ensure that any interface with external parties is done in a way that protects our key assets and systems. Supply chain attacks are increasing in the industry; as such, in 2020 we spent a lot of effort collaboratively working with internal teams to develop a robust supply chain risk management framework that focuses on cyber-security risk and how to evaluate and mitigate these emerging risks.

Disclosure Number	Disclosure Title	Response
Cyber Security (CSE)		
103-1	Explanation of the material topic and its Boundary	As part of our cyber-security training program, we have had a full year of robust cyber-security awareness training that is mandatory for all users. This training program contains several modules covering the key risks identified for our industry. For 2021, we have planned additional training modules to further enhance user awareness as it relates to cyber security. During 2020 we also conducted several Lunch 'n' Learn presentations that helped arm users with information to protect themselves while using popular social media platforms while at home. This enhanced cyber-security training has proven very effective, as employees have identified potential risky scenarios and were able to stop and proactively call in to the Service Desk before any breach happened. Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	We continue to conduct regular third-party, independent assessments of not only our security controls but also technical configurations to ensure our security posture aligns with industry best practices, so risks are known and mitigated appropriately. Third-party validation is completed, and routine audits are conducted throughout the year to verify our systems. To minimize the risk in our systems, we have a robust patching strategy to ensure our systems are evaluated and updated with the latest security updates. Overseeing the program is our Cyber Security Leadership Council (CSLC), comprised of senior managers and vice presidents from across the organization. The CSLC provides overall approvals based on actions recommended by our cyber-security team and maintains a "roadmap" to ensure we are well positioned to respond to threats in the ever-changing cyber landscape. Representatives from the CSLC provide regular updates to the Board. The CSLC receives a monthly update with relevant information specific to the threats against the power industry as well as specific to Capital Power. During this past year we continued to enhance our readiness to respond to cyber-attacks by conducting tabletop response exercises, which included third parties and close partners. This exercise included all levels of management within Capital Power and allowed us to test our Crisis Management team response plans as they relate to a cyber-attack. To be the power company of tomorrow, our action plan for digital transformation involves reviewing risks to our organization, such as vulnerabilities to cyber-attacks, and implementing appropriate measures to counter these risks. We'll continue to enhance our security controls and systems and implement new processes and procedures to keep up with the ever-emerging threats. Several key examples in 2020 highlight our commitment to enhancing our controls: • Several new systems have been implemented that support our 2021 initiatives for more automated security processes • Enhanced processes to ensure risk assessments are conducted on all new cloud-connected services • Updated processes that evaluate external risks to our environment and allow us to respond quickly, reducing potential attacks • Routine cyber-security exercises that test our response capability and allow us to update our controls • Initiated major control system upgrades at several operating facilities

Disclosure Number	Disclosure Title	Response
Cyber Security (CSE)		
103-2	The management approach and its components	**Policies** • ***Ethics Policy*****:** We meet our commitment to conducting legal and ethical business practice through our *Ethics Policy*, which sets out various guidelines, processes and procedures related to our expected standards of conduct and management of any policy contraventions. For more details on this policy, refer to disclosure 102-16. • ***Records Management Policy*****:** This policy ensures that Capital Power's records are systematically and efficiently managed from their creation or receipt until their ultimate destruction, in support of Capital Power's operations and risk management initiatives, and in compliance with applicable legislation. **Commitments** In 2020, several governance documents have been refreshed and will be deployed in early 2021, including: • Updated *Information Security Policy* • Updated Remote Access Standards • Updated Backup and Recovery Standards • Updated Control Framework/Strategic Plan • Updated Supply Chain Risk Management Framework **Goals and Targets** In 2020, many foundational components were deployed to support our 2021 initiatives, including capability to support hybrid cloud architecture, etc. For 2021, several specific overarching goals will drive our cyber-security program: • Focusing on artificial intelligence (AI) and machine learning (ML) for enhanced detective controls • Enhanced disaster recovery (DR) capability to support a quicker recovery time for key business services, while reducing costs **Responsibilities** Each reporting to their respective SVPs, the CIO and VP, Engineering hold cyber-security responsibility for managing cyber-security issues within their operational areas. Capital Power has a central Cyber Security team that provides support for cyber-security-related tasks. The *Information Security Policy* and strategic plan define and highlight the importance of cyber security in our environment, and all staff members are required to uphold our security posture. **Resources** We have two resources that are fully dedicated to cyber security within Capital Power. A Manager, Cyber Security, and a Senior Analyst, Cyber Security, that work closely with operational business units across the organization for all cyber-related issues. In addition, we belong to the Canadian Centre for Cyber Security, the U.S. Department of Homeland Security – National Cyber Awareness System/Industrial Control Systems Cyber Response Team Advisory, and the Electricity Information System Sharing and Analysis Center. We receive alerts on cyber events from these organizations. Capital Power is a member of the Canadian Electricity Association (CEA) and has members sit on the executive as well as acting in the role of subject matter experts (SME) on the Security and Information Protection Committee (SIPC). In addition, resources on the Capital Power team hold specific cyber-security certifications, including CISSP, CIRSC and ISO 27001, Lead Implementer.

Disclosure Number	Disclosure Title	Response
Cyber Security (CSE)		
103-2	The management approach and its components	**Grievance Mechanisms** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index). **Specific Actions** Specific actions, such as processes and training, are always being updated. In 2020, there was mandatory cyber-security training for all employees, and this will continue in 2021 with increased optional training available. New controls are regularly evaluated and improved to mitigate risks identified in our threat landscape. In 2020, we enhanced our backup capabilities to be able to better respond to ransomware or malware attacks that might sit dormant, posing a threat in the future. The Cyber Security team continually assesses and, where applicable, makes further improvements to our governance and oversight while executing on our roadmap and plans that are created in response to the threats we see affecting our environment and the industry as a whole. Capital Power's Cyber Security team maintains close relationships with external partners to ensure we have the most up-to-date threat intelligence and can respond in the event of an incident. Our security program is enhanced to ensure our teams are trained and able to identify and mitigate risks. A new vulnerability management review process was defined in 2020 to ensure our key systems have formal reviews to ensure no systems are exploitable and are managing the level of risk as appropriate for each system. In 2020, we revamped and redesigned our mobile access policies and technology stack to provide a more secure platform while providing easier access for users to access necessary information. We have also recently refreshed our authentication systems to ensure the most up-to-date procedures are used along with leveraging threat information to protect our systems and access controls. Capital Power 2020 Integrated Annual Report > Enhancing Cyber and Asset Security > pp. 42–43
103-3	Evaluation of the management approach	Capital Power recognizes the value of continuous improvement and evaluates relative risk while we implement learnings into our processes on a regular basis. In 2020, we enhanced capability using Privileged Access Management (PAM) by ensuring audit trails for business critical system administration. Some of the key updated components in 2020 that helped us manage the effectiveness of our management approach included: • Enhanced network protections leveraging the latest in machine learning and artificial intelligence In 2021, our plans include: • Enhancing our audit and logging analysis procedures • Enhancing our disaster recovery (DR) plans, leveraging hybrid cloud where applicable • Refreshed security standards based on work from 2020 • Continue to update aging control systems at plants to enhance our security posture

Disclosure Number	Disclosure Title	Response
Cyber Security (CSE)		
103-3	Evaluation of the management approach	As a baseline, we will continue to: • Adhere to stringent change management controls to ensure systems are implemented in a secure manner; • Project deployment controls that include cyber-security reviews; • Document and regularly test processes for disaster recovery (DR) and cyber-incident response; • End-user (employee) awareness training; • Enterprise-level malware and anti-virus system deployment and maintenance; • Regular internal and external system audits; • Continual scanning of the environment for vulnerabilities; • Alerting/monitoring for critical security events; and • Independent third-party pen tests. Cyber resilience is especially important for companies like Capital Power that provide critical infrastructure in which a cyber breach could have a significant impact not only on the Company, but also on the environment and the economy at large. We monitor any cases of data loss or privacy complaints resulting from our business operations. In 2020, Capital Power did not have cases of data loss or receive any privacy complaints. With the new controls we have put in place in 2020, we have been proactive in thwarting several cyber-attacks and prevented access to our network and/or data. Capital Power employs a robust defense in-depth strategy of both cyber and physical protection of all critical assets in our fleet. Capital Power routinely engages with third-party firms to conduct network penetration tests to ensure the effectiveness of our cyber security and updating technical and process controls as a direct result of these tests. We continue to upgrade our capabilities in detecting and responding to an ever-growing range of cyber risks. In this context, we are working closely with cyber-security partners, while also leveraging global insights from established technology providers and cyber-security professionals, and closely collaborating with industry peers as well as government and law enforcement. Technology services are vitally important to our business and therefore critical to maintain.

Disclosure Number	Disclosure Title	Response
Transparency and Disclosure (TND)		
103-1	Explanation of the material topic and its Boundary	We are committed to maintaining a culture of transparency and disclosure, and this is reflected in the annual reporting we do. We will continue our annual disclosures of our business practices, operations and plans and will look for ways we can enhance our reporting in the future. We will continue our annual disclosures of our business practices, operations and plans for all our operations in Canada and the U.S. Website > Financial Reporting For more information, please see GRI 102-46 – General Disclosures Capital Power 2020 Integrated Annual Report > Priority Topics > p. 12
103-2	The management approach and its components	Our reporting has always aimed to engage stakeholders and help them understand the material aspects of financial and non-financial aspects of our business, including issues related to how sustainability matters are managed and assessed, along with other business risks. We have regularly disclosed and reported on our sustainability disclosures through our past Management's Discussion and Analysis (MD&A), Annual Information Forms (AIF) and corporate sustainability reports, which have been done in accordance with the GRI Standards. We have also been reporting to the Carbon Disclosure Project (CDP) for years, as well as to the Canadian Electricity Association's reporting framework. **Transparency and Disclosure Efforts in 2020** 1. Continuing to endorse the shift toward integrated annual reporting consistent to the Company's business strategy providing greater transparency with respect to how Capital Power integrates ESG into their business and provide total value to all stakeholders, which include shareholders and investors. This report is aligned to international standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). 2. Continuing to affirm our commitment towards the voluntary recommendations of the industry-led Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) and reinforcing our commitment to provide transparency around climate impacts throughout our business operations. In 2020, Capital Power published its third Climate Change Disclosure Report, which was reviewed and approved by the Board this past February. 3. Continuing to endorse Capital Power's submission to the annual Carbon Disclosure Project (CDP) questionnaire. In 2020, CDP ranked Capital Power as A- with respect to climate change and B on water security, the highest scores in our sector in Canada, demonstrating leadership. We continue to evaluate and evolve our sustainability reporting to ensure we provide the information investors and stakeholders require to understand Capital Power's strategy, including the frameworks and processes we use to assess our business and how we are minimizing and mitigating risks while capitalizing on opportunities. Corporate culture – The Board culture supports a constructive approach to health and safety, community relations and environmental impacts, and sets the tone for management in driving the behaviours and attitudes needed to support a corporate-wide, aligned sustainability culture.

Disclosure Number	Disclosure Title	Response
Transparency and Disclosure (TND)		
103-2	The management approach and its components	**Policies** The following internal policy (not publicly available) guides our activities: - ***Disclosure and Insider Trading Policy*:** We must comply with laws and regulations when publicly disclosing important information about Capital Power, and all insiders must comply with insider trading and reporting requirements. Our *Disclosure and Insider Trading Policy* governs the dissemination of information to the public and guides our decisions and actions in providing clear and complete disclosure in a timely manner, in compliance with all securities regulations. **Commitments** The Canadian Coalition on Good Governance Our Board takes a principles-based approach to its governance practice, which evaluates sustainability, including environment and social factors, as part of our overall business strategy and risk-evaluation processes. **Goals and Targets** Our disclosure and reporting practices are a key pillar of our sustainability strategy. In 2020, sustainability performance (health, safety, environment, diversity, reporting, etc.), including ESG disclosures, formed 20% of the Company's performance objectives and in 2021 this will be increased to 25%. **Responsibilities** Our Disclosure Committee consists of senior managers and reports to, and is subject to, the supervision and oversight of our President & CEO. Our Disclosure Committee is responsible for reviewing all proposed disclosures before they are released publicly. The Disclosure Committee also reports its work and findings to our Board and Audit Committee, and must promptly inform our Board and Audit Committee of any material disclosure issues or concerns regarding any of our disclosure controls that come to the Disclosure Committee's attention. **Grievance Mechanisms** Refer to GRI 102-17 Grievance Mechanisms (p. 193 of 2020 GRI and SASB Index).
103-3	Evaluation of the management approach	The Board reviews the corporate risk register biannually, conducts regular site visits during annual meetings and consults regularly with shareholders for first-hand perspectives of their key topics of interest. Performance evaluation and incentives – Management's remuneration is linked to social and environmental targets, including worker safety, employee retention and achieving lower GHG emissions at our Genesee Generating Station. The targets and remuneration framework are reviewed and approved annually by the Board.

2020 ESG Performance

Capital Power 2020 ESG Performance

The following table provides year-over-year company-wide data for metrics aligned to our priority areas.

	2020	2019	2018	2017	GRI Disclosure	SASB Disclosure
Operations Total electricity generated, percentage by major energy source, percentage in regulated markets (megawatt hours (MWh), percentage (%))						
Net Thermal Energy Generation						
Net production – energy source and generation percentage (coal)	9,166,000 (46.3%)	9,312,000 (44.6%)	9,086,000 (56%)	10,249,000 (77%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (natural gas)	5,728,000 (28.9%)	8,349,000 (39.9%)	4,421,000 (27%)	567,000 (4%)	102-7	IF-EU-000.D
Net Renewable Generation						
Net production – energy source and generation percentage (hydro)[1]	0.00 (0.00%)	0.00 (0.00%)	0.00 (0.00%)	0.00 (0.00%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (solar)	27,000 (0.1%)	29,000 (0.1%)	27,000 (0.2%)	27,000 (0.2%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (biomass)	356,000 (1.8%)	374,000 (1.8%)	378,000 (2%)	377,000 (3%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (wind)	4,230,000 (21.4%)	2,510,000 (12%)	1,787,000 (13%)	2,053,000 (13%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (tire-derived fuel)	287,000 (1.4%)	325,000 (1.6%)	284,000 (2%)	303,000 (2%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (landfill gas)	3,000 (0.00%)	0.00 (0.00%)	303 (0.002%)	17,000 (0.1%)	102-7	IF-EU-000.D
Economic						
Revenues and other income ($M)	1,937	1,963	1,417	1,168	201-1	
Adjusted funds from operations ($M)[2]	522	555	397	361	201-1	
Net cash flows from operating activities ($M)	611	720	450	372	201-1	
Dividends declared per common share ($/share)	1.99	1.86	1.73	1.62	201-1	
Community investments ($M)[3]	1.50	1.30	1.00	0.94	201-1	
Corporate governance						
Board diversity – gender (%)	44	44	33	30	102-18	
Total compensation ratio – CEO/employees (ratio)[4]	23.5:1 (CEO/ employees)	20.6:1	22.3:1	15.3:1	102-38	
Political contributions ($M)	0	0	0	0	415-1	

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[1] *We no longer generate electricity from hydro since the sale of our two hydroelectric facilities in 2012.*

[2] *Commencing in 2017, Capital Power uses adjusted funds from operations (AFFO) as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders. In 2018, Capital Power made several adjustments to its AFFO measure to better reflect the purpose of the measure; see adjusted funds from operations and adjusted funds from operations per share section of the Management's Discussion and Analysis in the 2019 Integrated Annual Report for further details. Comparative AFFO figures have been restated to reflect the above refinements to the AFFO metric.*

[3] *Values for annual community investment are inclusive of the charitable and non-profit community contributions made in the calendar year, including Capital Power's EmPowering Communities Program and the corporate match portion of the GENerosity Program.*

[4] *This ratio considers permanent full- and part-time employees (annualized to full-time equivalent) in Canada and the United States, and annual total compensation includes the following elements in the reporting year: base salary, actual short-term incentive paid and actual long-term incentive granted.*

	2020	2019	2018	2017	GRI Disclosure	SASB Disclosure
Supply chain						
Procurement – spending on local suppliers (%)[1]	68	60	63	60	204-1	
Environment						
Energy consumption – natural gas (GJ)[2]	49,741,778	70,856,887	90,692,000	103,627,000	302-1	
Energy consumption – coal (GJ)[2]	91,150,792	91,302,358	38,169,000	5,670,000	302-1	
Energy consumption – biomass (GJ)[2]	6,704,422	6,693,264	6,972,000	6,937,000	302-1	
Energy consumption – landfill gas (GJ)[2]	422,202	147,934	397,000	296,000	302-1	
Energy consumption – tire-derived fuel (GJ)[2]	5,548,704	5,865,793	5,615,000	5,215,000	302-1	
Energy intensity (GJ/MWh)	7.99	8.37	8.72	9.15	305-4	
Greenhouse gas emissions – Scope 1 absolute (tCO$_2$e)[3]	11,527,603	12,650,545	11,023,000	10,521,000	305-1	IF-EU-110a.1 IF-EU-110a.2
Greenhouse gas emissions – intensity (tCO$_2$e/MWh)[4]	0.58	0.60	0.68	0.79	305-4	
Reduction of GHG emissions (tCO$_2$e)	601,018	886,159	530,230	Not available	305-5	
Air emissions – NO$_x$ (tonnes)[3]	16,216	15,552	15,510	16,300	305-7	IF-EU-120a.1
Air emissions – SO$_2$ (tonnes)[3]	20,565	19,981	20,666	21,900	305-7	IF-EU-120a.1
Air emissions – particulate matter (tonnes)[3]	895	1,477	1,644	2,200	305-7	IF-EU-120a.1
Air emissions – mercury (kg)[3]	23	20	23	26	305-7	IF-EU-120a.1
Water withdrawal (megalitres)	47,594	51,975	52,000	28,700	303-3	IF-EU-140a.1
Water discharge (megalitres)	37,123	36,003	31,000	14,700	303-4	IF-EU-140a.1
Water consumed (megalitres)	10,471	15,556	21,000	14,000	303-5	IF-EU-140a.1
Total land use (hectares)	3,312	3,173	3,081	2,987	304-1	
Reclaimed land (hectares and percentage of land)[5]	1,231 (37%)	1,124 (35%)	1,118 (36%)	1,056 (35%)	304-3	
Total weight of waste generated (tonnes)[6]	1,026,000	976,000	958,000	1,108,000	306-3	
Total waste diverted from disposal (tonnes)[6]	254,000	223,000	247,000	200,000	306-4	
Total weight of waste directed to disposal (tonnes)[6]	772,000	754,000	711,000	908,000	306-5	
Number of incidents of non-compliance associated with water quantity and/or quality permits, standards and regulations	0	0	0	0		IF-EU 140a.1

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[1] *Local is when the supplier's location is in the same province or state where we have operations or offices.*

[2] *Year-over-year variance is primarily due to fuel mixture, the number of operating hours of each facility, acquisitions and developments, respectively. Data represents Capital Power's generation associated with its operating approvals rather than its financial share of the operation.*

[3] *Values represent direct emissions from power generation at the facilities we operate and the Genesee Mine.*

[4] *This intensity includes GHG emissions related to MWh production only and excludes steam production at East Windsor and mining. Denominator used is Net Generation (sold MWh). Only direct (Scope 1) GHG emissions included in intensity calculation. Gases included in calculation: CO$_2$, CH$_4$, N$_2$O and SF$_6$.*

[5] *Reclaimed refers to land that is either fully certified, is awaiting final certification from the Alberta Energy Regulator (AER) or is ready for application for certification.*

[6] *Capital Power monitors ash only, not other types of waste.*

	2020	2019	2018	2017	GRI Disclosure	SASB Disclosure
People						
Total number of employees (number)[1]	827	825	770	716	102-8	
Permanent employees (numbers)	786	794	745	685	102-8	
Employee diversity – overall (% female)	25	24	25	25	405-1	
Employee diversity – executive (% female)	43	33	33	33	405-1	
Turnover for permanent employees (%)	7.6	6.9	7.9	7.7	401-1	
Employees covered by collective bargaining agreements (%)	30	30	29	33	102-41	
Employee training – hours per employee (number)	13	17	Not available	Not available	404-1	
Total recordable injury frequency (TRIF – score)[2,3]	0.72	0.81	0.74	0.61	403-9	IF-EU-320a.1
Lost time injury/illness frequency (LTIF – score)[3]	0.27	0.16	0.08	0.17	403-9	
Lost time injury/illness severity (LTIS – score)[3]	4.27	0.79	0.00	0.00	403-9	
Fatality rate (rate)	0	0	0	0	0	IF-EU-320a.1

[1] *Full- and part-time permanent, Canada and U.S.*

[2] *Numbers include corporate and operations but exclude construction projects.*

[3] *Includes employees and contractors.*

10-Year Operational and Financial Highlights

(millions of dollars except per share and operational amounts) (unaudited)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPERATIONAL										
Number of facilities at year-end[1]	**28**	26	25	24	18	18	15	14	16	16
Electricity generation[1] (GWh)	**23,806**	24,527	20,229	17,194	15,328	14,567	12,376	16,130	16,455	13,659
Facility availability	**95%**	94%	95%	96%	94%	95%	95%	93%	91%	92%
Total assets[9,10]	**$8,911**	$8,582	$7,569	$6,819	$6,062	$5,393	$5,420	$5,219	$5,134	$4,743
Loans and borrowings including current portion	**$3,552**	$3,413	$2,647	$2,146	$1,508	$1,615	$1,586	$1,527	$1,659	$1,480
Revenues and other income[2,9]	**$1,937**	$1,963	$1,417	$1,168	$1,214	$1,241	$1,218	$1,393	$1,296	$1,736
Adjusted EBITDA[3,8,9]	**$955**	$1,029	$736	$614	$509	$483	$387	$483	$456	$533
Net income[9]	**$130**	$119	$258	$125	$102	$86	$50	$228	$90	$188
Net income attributable to shareholders[9]	**$136**	$125	$265	$135	$111	$90	$46	$175	$62	$77
Normalized earnings attributable to common shareholders[3,9]	**$128**	$140	$115	$104	$117	$111	$59	$127	$86	$55
Basic earnings per share[9]	**$0.78**	$0.73	$2.17	$0.98	$0.91	$0.70	$0.28	$2.13	$0.84	$1.60
Diluted earnings per share[4,9]	**$0.77**	$0.72	$2.16	$0.98	$0.91	$0.70	$0.28	$2.08	$0.84	$1.59
Normalized earnings per share[3,9]	**$1.22**	$1.34	$1.12	$1.03	$1.22	$1.15	$0.72	$1.74	$1.29	$1.24
Funds from operations[3,5,6,7]	**N/A**	N/A	N/A	N/A	$384	$400	$362	$426	$383	$352
Adjusted funds from operations[3,7]	**$522**	$555	$397	$361	$291	$324	N/A	N/A	N/A	N/A
Adjusted funds from operations per share[3,7]	**$4.96**	$5.32	$3.85	$3.58	$3.02	$3.36	N/A	N/A	N/A	N/A
Dividends declared per common share	**$1.99**	$1.86	$1.73	$1.62	$1.51	$1.41	$1.31	$1.26	$1.26	$1.26
High	**$38.88**	$35.09	$29.79	$26.51	$24.49	$27.12	$28.71	$23.53	$25.72	$28.00
Low	**$20.23**	$26.22	$22.15	$23.15	$16.37	$15.41	$20.51	$19.76	$20.75	$21.50
Close	**$34.98**	$34.39	$26.59	$24.49	$23.23	$17.77	$26.00	$21.30	$22.73	$25.12
TSX volume (millions)	**103.1**	77.1	65.4	62.8	73.2	79.8	58.3	42.8	39.7	36.6

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[1] *In November 2011, the Capital Power Income L.P. (CPILP) plants, excluding Roxboro and Southport, were disposed of as part of the Atlantic Power acquisition of the CPILP partnership units. Electricity generation and plant availability average excludes CPILP plants in 2011.*

[2] *Revenues for 2011 and 2012 have been restated to correspond to 2013 basis of presentation. Revenues for 2014 and 2015 have been restated to the 2016 basis of presentation. Revenues for 2013 and prior have not been restated for this latter change.*

[3] *The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share, funds from operations, adjusted funds from operations and adjusted funds from operations per share, were prepared in accordance with GAAP. See Non-GAAP Financial Measures in the Integrated Annual Report.*

[4] *Diluted earnings per share was calculated after giving effect to outstanding share purchase options and the exchange of common limited partnership units of CPLP held by EPCOR for common shares of Capital Power on a one-for-one basis.*

[5] *Excluding non-controlling interests in CPILP (applicable to 2011).*

[6] *The 2012 and 2013 funds from operations amounts were revised consistent with the change in the measure due to the reclassification of Part VI.1 tax from operating activities to financing activities.*

[7] *Commencing in 2017, the Company uses adjusted funds from operations (AFFO) as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders. In 2018, the Company made several adjustments to its AFFO measure to better reflect the purpose of the measure; see adjusted funds from operations and adjusted funds from operations per share section in the Non-GAAP Measures section of the Integrated Annual Report for further details. Comparative AFFO figures have been restated to reflect the above refinements to the AFFO metric.*

[8] *Adjusted EBITDA figures for 2011 to 2018 have been restated to correspond to the 2019 basis of presentation.*

[9] *The comparative periods' amounts for 2017 and 2018 have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16 in 2019. Comparative period amounts prior to 2017 have not been restated.*

[10] *Certain comparative figures in 2019 have been reclassified to conform to the current year's presentation. Comparative period amounts prior to 2019 have not been restated.*

Investor Information

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Auditors

KPMG LLP, Edmonton, Alberta

Stock Exchange and Index Membership

Toronto Stock Exchange (TSX)

Member of the following indices:

- S&P/TSX Composite
- S&P/TSX Canadian Dividend Aristocrats
- S&P/TSX Capped Utilities
- S&P/TSX SmallCap

Stock Trading Symbols (TSX)

Common shares: CPX

Preferred shares:
Series 1 – CPX.PR.A
Series 3 – CPX.PR.C
Series 5 – CPX.PR.E
Series 7 – CPX.PR.G
Series 9 – CPX.PR.I
Series 11 – CPX.PR.K

Common Shares (as of December 31, 2020)
Total outstanding shares: 106,180,990
Market capitalization: $3.7 billion

2021 Expected Common Share Dividend Dates

	Ex-Dividend Date	Record Date	Payment Date
Quarter 1	March 30	March 31	April 30
Quarter 2	June 29	June 30	July 30
Quarter 3	September 29	September 30	October 29
Quarter 4	December 30	December 31	January 31, 2022

2021 Expected Preferred Shares Dividend Dates

	Ex-Dividend Date	Record Date	Payment Date
Quarter 1	March 17	March 18	March 31
Quarter 2	June 16	June 17	June 30
Quarter 3	September 16	September 17	September 30
Quarter 4	December 15	December 16	December 31

5-Year Relative Price Performance for Common Shares (CPX)

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