

**CORPORATE GOVERNANCE, COMPENSATION  
AND NOMINATING COMMITTEE  
TERMS OF REFERENCE**

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**I. OVERVIEW AND PURPOSE**

- A. The purpose of the Corporate Governance, Compensation and Nominating Committee (the “Committee”) is to:
- i) review and recommend to the Board the establishment and maintenance of appropriate structures, processes and policies required within Capital Power Corporation (the “Corporation”) to address governance issues and maintain compliance with recognized corporate governance guidelines;
  - ii) make recommendations regarding the Board’s effectiveness and to identify and recommend individuals to the Board for nomination as Board members;
  - iii) review and determine matters affecting personnel and compensation and key compensation and human resources policies for the Corporation, so that such policies provide total compensation which is competitive in the market, in accordance with these terms of reference;
  - iv) review matters related to Director succession;
  - v) review management’s recommendations and policies regarding succession planning (including crisis management) for executives of the Corporation; and
  - vi) review workplace culture and diversity and inclusion within Capital Power.
- B. The Committee shall have unrestricted access to the Corporation’s personnel and documents and will be provided with the resources necessary to carry out its duties and responsibilities. The Committee has the authority to bring in outside advisors on matters requiring specialist knowledge.

**II. STRUCTURE**

- A. The Committee shall be composed of not less than three members (“Committee Members”), or such other number as may be specified by the Board.
- B. Committee Members and the Committee Chair will be appointed by the Board on the recommendation of the Committee at least once every calendar year.

- C. A majority of Committee Members should be independent pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (as implemented by the Canadian Securities Administrators and as amended from time to time) and have no relationship to the Corporation that may interfere with the exercise of their independence from Management and the Corporation. .
- D. All Board members shall be free to attend and participate at any meetings of the Committee, but only Committee Members shall be entitled to vote on any question before the Committee. Other than Board members, entitlement to attend all or a portion of any Committee meetings shall be determined by the Committee Chair or the Committee Members.
- E. The Committee shall meet at least twice per year and may call special meetings as required.
- F. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee Members, Board members, and others as directed by the Committee.
- G. As appropriate, the Committee may retain independent advisors to assist the Committee in carrying out its duties and responsibilities, including fixing such advisors' fees and retention terms.

### **III. DUTIES AND RESPONSIBILITIES**

In accordance with the Corporation's governance documents and these terms of reference, the Committee shall be responsible to assist the Board of Directors to maintain prudent corporate governance. The Committee shall, without limitation, endeavor to do the following:

#### **A. In respect of Corporate Governance:**

1. Review and recommend to the Board the establishment and maintenance of appropriate structures and processes required within the Corporation to address governance issues and maintain compliance with recognized corporate governance guidelines.
2. At least annually, review the requirements for, and composition of, Committees of Directors and recommend any required changes to the Board.
3. At least annually, review the required corporate officers prescribed by the governance documents and consider appropriate changes to the number and/or titles of corporate officers, and recommend any proposed changes to the Board.

4. Review and monitor compliance with recognized corporate governance guidelines and follow any issues as noted by the members or as reported to them by Management or other Directors from time-to-time.
5. At least annually, report to the Board on corporate governance in comparison to recognized corporate governance guidelines, identifying issues and any instances of non-compliance, with appropriate recommendations for action.
6. Hire appropriate consultants, request Management to perform studies and furnish other information as the Committee deems appropriate; review such information and take such actions based thereon as the Committee deems appropriate.
7. Conduct an annual survey of the effectiveness and performance of the Committee, including a review of its compliance with these terms of reference. In conducting its review, the Committee should take into consideration all applicable legislative and regulatory requirements, and any guidelines recommended by regulators or stock exchanges with which the Corporation has a reporting relationship.
8. Review annually these terms of reference and recommend any required material changes to the Board.
9. Review annually the terms of reference of each of the Board, Committees, Chair, Individual Directors, President & CEO, and recommend any required material changes to the Board.
10. At least annually, review and recommend to the Board, the report on executive compensation to be included in the annual management proxy circular or any other disclosure documents.
11. Review annually the Corporation's Ethics Policy and policies regarding public disclosure of material information and insider trading (collectively, the "Policies"), and recommend any material changes to the Policies, whether initiated by the Committee or recommended to the Committee by the Corporation's Audit Committee, to the Board.
12. Report to the Board as required.

**B. In respect of Board Composition, Development and Compensation:**

1. As required, recommend to the Directors procedures for the appointment of the Chair of the Board and all other Directors.
2. As required, recommend to the Board for approval, the nominees to stand for election as Directors at the subsequent annual general meeting of the Corporation.

3. As required, recommend to the Board for approval, the compensation to be paid and benefit plans, if any, for Directors.
4. Review, monitor, and make recommendations regarding new Director orientation and the ongoing development of existing Board members.
5. Review, monitor, and make recommendations regarding Director tenure limits and succession.
6. Annually, evaluate Board membership (including composition, diversity and size) and the involvement/performance of each member and make recommendations to the Board for approval of any recommended changes to the composition, diversity and size of the Board and Committees of Directors. Concerns noted will be recorded and brought to the attention of the Board Chair, who, together with the Committee, will determine if further action is required. Such action may include:
  - i) discussion between the Board Chair and the individual;
  - ii) advising the full Board of the concern and being directed by their instructions;  
or
  - iii) recommending appropriate remedial action as/if required.

**C. In respect of Officers, Personnel and Compensation:**

1. Review Management's recommendations respecting matters affecting personnel and compensation within the Corporation, including the Corporation's policies on compensation, benefits, succession planning, training and development, employee morale, equal opportunity/diversity action programs and other human resource matters as deemed appropriate.
2. Monitor the Corporation's performance in relation to the approved human resources policies of the Corporation and be kept informed of all major human resource issues.
3. Review and recommend to the Board candidates for the position of President and Chief Executive Officer (the "CEO"). To recommend to the Board for approval candidates selected by the CEO for the positions of each of the executive officers reporting directly to the CEO.
4. Review and recommend to the Board for approval the salary, incentive plan and annual incentive payment for the CEO, each of the executive officers reporting directly to the CEO and any other employee designated by the Committee. To review and approve the incentive plans and annual incentive payments for all other personnel of the Corporation. To review and approve the annual performance measures for the incentive plans. To review and approve a remuneration envelope for Management in

its negotiations with bargaining units, with the terms of the final settlement filed with the Board for information. To review and determine other compensation matters that may properly come before the Committee.

5. Review and recommend to the Board for approval equity-based incentive award grants for executives (including non-executive officers) under the corporate long term incentive plan and review and recommend to the Board equity-based incentive award grants for all other employees.
6. Review the employment agreements between the Corporation and the CEO, and the Corporation's executive officers, as applicable.
7. Evaluate the performance of the CEO in relation to the Corporation's strategic plans and objectives and make recommendations to the Board regarding the CEO's compensation level based on this evaluation.
8. Take such actions as are necessary to discharge the duties set out herein, and report to the Board on such activities.
9. Any outside directorships proposed to be held by the CEO, and any outside directorships in for-profit ventures unrelated to the Corporation proposed to be held by senior officers of the Corporation other than the CEO, will be subject to review and approval by the Committee. Outside directorships in not-for-profit ventures proposed to be held by senior officers other than the CEO will be subject to approval by the CEO and will be reported to the Committee.
10. Review and recommend to the Board for approval, material amendments to the Corporation's pension and other benefits plans (other than statutory changes).
11. At least annually, review the overall governance of the Corporation's pension and other benefits plans and approve the broad objectives of the pension and other benefits plans.
12. Report to the Board as required.

#### **IV. MEETINGS**

- A. Committee meetings may be called by the Committee Chair or by a majority of the Committee Members. A majority of Committee Members shall constitute a quorum. The Committee Chair shall be a voting member and questions will be decided by a majority of votes.
- B. Meetings may be called with one day's notice, which may be waived by members. All Committee Members are entitled to notice of every meeting.
- C. Meetings are chaired by the Committee Chair or in the Committee Chair's absence, by a member chosen by the Committee amongst themselves.

- D. Agendas will be set by the Committee Chair with assistance from the CEO, the Corporate Secretary and the Vice President, Human Resources and circulated with the materials for consideration at the meeting by the Corporate Secretary to all members, the Board Chair, the CEO and the Corporate Secretary no later than the day prior to the date of the meeting. However, it should be standard practice to deliver the agenda and the materials for consideration at the meeting at least five business days prior to the proposed meeting except in unusual circumstances.
- E. Except as herein provided, the Chair of the meeting may establish rules of procedure to be followed at meetings.
- F. Meetings may be conducted with the participation of one or more members by telephone which permits all persons participating in the meeting to hear or communicate with each other. A member participating in a meeting by telephonic means is deemed to be present at the meeting.
- G. The powers of the Committee may be exercised at a meeting at which a majority of the Committee Members are present or by resolution in writing signed by all Committee Members who would have been entitled to vote on the resolution at a meeting of the Committee. In case of an equality of votes, the person acting as Chair of the Committee meeting shall not be entitled to a second or casting vote.
- H. A resolution in writing may be signed and executed in separate counterparts by members and the signing or execution of a counterpart shall have the same effect as the signing or execution of the original. An executed copy of a resolution in writing or counterpart thereof transmitted by any means of recorded electronic transmission shall be valid and sufficient.
- I. Attendance at all or a portion of Committee meetings by staff will be determined by the Committee and will normally include the CEO and the Corporate Secretary.
- J. The Corporate Secretary shall keep minutes of the proceedings of all meetings of the Committee which, following Committee approval, will be made available to any member of the Board. All minutes will be circulated to the Chair. With the exception of "in camera" items, minutes will be circulated to those receiving the agenda. Minutes will be retained by the Corporate Secretary.