Notice of 2020 annual meeting of shareholders

May 1, 2020

Management proxy circular

March 4, 2020

Established in July 2009, Capital Power Corporation is a growth-oriented North American independent power producer headquartered in Edmonton, Alberta. We develop, acquire, own and operate power generation facilities using a variety of energy sources and are a trusted resource for affordable, future-focused energy. We own approximately 6,200 megawatts of power generation capacity at 26 facilities and are pursuing contracted generation capacity throughout North America.

Capital Power has received a 2019 Governance Gavel Award for Best Disclosure of Corporate Governance and Executive Compensation Practices. For two years in a row, we've been recognized by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, as one of the 2020 World's Most Ethical Companies®. We're one of only three Canadian companies recognized, and one of nine Energy and Utilities companies worldwide. For nine consecutive years, Capital Power has earned placement on the Corporate Knights' "Best 50 Corporate Citizens in Canada" listing (2011 – 2019). We have been recognized as one of Alberta's Top Employers for 2020, marking a fifth year of recognition from Canada's Top 100 Employers for our employee programs and were also recently named as one of Canada's Top Employers for Young People (2020) for a second time in a separate competition also administered by Canada's Top 100 Employers. In addition, Capital Power was the only utility awarded an A- rating in the 2019 Climate Change List by the international CDP (formerly the Carbon Disclosure Project) and we received a B- for water security.

Our shares are traded on the Toronto Stock Exchange under the symbol CPX.

Please visit our website for more information (www.capitalpower.com).

What's inside

Letter to shareholders

March 4, 2020

Dear shareholder,

The Board and management of Capital Power Corporation invite you to attend our 2020 annual meeting of shareholders (meeting) at EPCOR Tower in Edmonton, Alberta at 1:00 p.m. (Mountain Daylight Time) on May 1, 2020.

Attached is the formal notice of the meeting and the management proxy circular, which explains the items of business that will be covered at the meeting and provides important information about voting and other matters to help you decide how to vote your shares.

You can attend the meeting and vote in person, or you can vote by proxy. Attending the meeting gives you an opportunity to meet the Chair of the Board, the President & CEO, and the Corporate Secretary to hear first-hand about our performance and developments in 2019, and to ask questions.

If you can't attend the meeting in person, you can view a live audio webcast via our website (www.capitalpower.com). We'll also archive the webcast on our website after the meeting.

If you have questions, you may contact our Investor Relations department at 1 (866) 896-4636 or investor@capitalpower.com.

We look forward to seeing you at the meeting and please take this opportunity to vote.

Sincerely,

Donald Lowry Chair of the Board	**Brian Vaasjo** President & CEO

Notice of 2020 annual meeting of shareholders

You're invited to attend the 2020 annual meeting of shareholders of Capital Power Corporation:

When: Friday, May 1, 2020
1:00 p.m. Mountain Daylight Time

Where: EPCOR Tower, 8th Floor
10423 – 101st Street NW
Edmonton, Alberta

We'll cover the following items of business:

- receive our consolidated financial statements for the year ended December 31, 2019 and the auditors' report;
- elect directors;
- appoint the auditor with compensation to be fixed by the Board on the recommendation of the audit committee;
- vote on our approach to executive compensation; and
- transact any other business.

The management proxy circular provides detailed information about the business of the meeting and the voting process.

You're entitled to vote at the meeting if you owned common shares of Capital Power Corporation at the close of business on March 18, 2020. You can vote by proxy or vote in person at the meeting.

Please refer to the management proxy circular to learn more about the meeting. We encourage you to vote.

By order of the Board,

Colleen Legge
Corporate Secretary
Capital Power Corporation
Edmonton, Alberta

March 4, 2020

Management proxy circular

This management proxy circular (circular) has been prepared to assist those shareholders who owned common shares of Capital Power at the close of business on March 18, 2020 (record date). As a shareholder of record, you're entitled to attend our 2020 annual meeting and vote your shares, in person or by proxy. You can still vote your shares if you can't attend the meeting. A live audio webcast of the meeting will be available on our website, and we'll post a transcript of the meeting and archive the webcast on our website after the meeting.

Management is soliciting your proxy for the meeting. We pay all costs for soliciting proxies.

We plan to begin mailing the notice-and-access notice for the circular and other meeting materials to shareholders of record on or about March 25, 2020. Shareholders may access an electronic copy of the circular on our website on or about March 25, 2020.

Information in this circular is as of March 4, 2020, unless otherwise indicated.

All dollar amounts are in Canadian dollars unless otherwise indicated.

In this document:

- *we, us, our* and *Capital Power* mean Capital Power Corporation
- *you* and *your* mean the shareholder or holder of our common shares
- *shares or common shares* mean common shares of Capital Power

Our principal and head office is in Edmonton, Alberta:

Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta
Canada T5H 0E9

We've decided to continue to use the notice-and-access model for delivering meeting materials to both our registered and beneficial shareholders. Registered shareholders still receive a form of proxy, and beneficial shareholders still receive a voting instruction form, which allows them to vote at the annual meeting. Registered and beneficial shareholders receive a notice with information about how they can access copies of the circular electronically rather than receiving printed copies. This alternative means of delivery is more environmentally friendly because it will help reduce paper and printing and mailing costs. These documents will be available on SEDAR (www.sedar.com) and our website (www.capitalpower.com).

HOW TO OBTAIN PAPER COPIES OF THE MEETING MATERIALS

Registered and beneficial shareholders may request paper copies of the circular, at no cost, at any time up to one year from the date the circular was filed on SEDAR.

Requests by registered and beneficial shareholders may be made to our Investor Relations department at any time prior to the meeting by dialing 1.866.896.4636 (within North America) or by e-mail at investor@capitalpower.com.

Requests by registered or beneficial shareholders to receive a paper copy of the circular in advance of the deadline for completing and returning proxies or voting instruction forms and the meeting date of May 1, 2020 must be received by April 21, 2020.

Please note that if you request a paper copy of the circular, you will not receive a new form of proxy or voting instruction form so you should retain the form sent to you in order to vote.

1. About the shareholder meeting

Voting

WHO CAN VOTE

The table below shows our authorized share capital and the number of shares outstanding as of the date of this circular:

Our share capital	Authorized #	# Outstanding
Common shares	unlimited	105,447,491
Special limited voting share	1	1
Preferred shares	unlimited, issued in series	39,000,000

You can vote if you owned common shares of Capital Power as of the close of business on March 18, 2020. Each common share entitles the owner to one vote.

The voting process is different depending on whether you own your shares as a registered or non-registered (beneficial) shareholder (see below under How to Vote).

Special limited voting share
As of March 1, 2020, EPCOR owns the one special limited voting share outstanding. This share does not have voting rights in respect of this meeting.

Preferred shares
Holders of preferred shares only have voting rights if:

- it is required by law;
- it is to satisfy conditions attached to the class of shares; or
- we have not paid dividends for eight quarters and the shareholder meeting occurs during the period when the dividends are in arrears.

You can find more information about the rights, privileges and restrictions of our different classes of shares in our 2019 Annual Information Form (AIF).

HOW TO VOTE

You can vote by proxy, or by attending the meeting and voting in person. Voting by proxy means you're giving someone else (your proxyholder) the authority to vote for you at the meeting, and it's the easiest way to vote.

You can choose anyone to be your proxyholder. The person does not need to be a shareholder, but your shares will only be voted if your proxyholder attends the meeting and votes for you. Print the person's name in the space provided on the proxy form. If you vote by proxy but do not specify a proxyholder, the Capital Power representatives named on the proxy form will act as your proxyholder.

Your proxyholder must vote your shares according to your instructions. If you do not specify your voting instructions, your proxyholder can vote as they see fit. If you do not specify your voting instructions and the Capital Power representatives named on the proxy form are acting as your proxyholder, they will vote for each item of business.

If there are any changes to the items of business, or if any new items are proposed, your proxyholder has the authority to vote as they like. The Capital Power representatives will vote on any new or amended items using their best judgment.

Transfer agent and registrar
Computershare Trust Company of Canada (Computershare) is our transfer agent and registrar. Computershare receives, counts and tabulates the proxies on our behalf. They keep the votes confidential and only inform us of the voting results.

Registered shareholders
You are a registered shareholder if your shares are registered directly in your name with our registrar and transfer agent, Computershare.

Computershare has a list of all registered shareholders as of the record date. You can check the list at the meeting or at their office during regular business hours:

Computershare Trust Company of Canada
530 8th Avenue SW, Suite 600
Calgary, Alberta T2P 3S8

Vote by proxy

Online — go to www.investorvote.com and follow the instructions on screen. You'll need your control number, which appears at the bottom of your proxy form.

By phone — Call 1.866.732.8683 toll-free using a touch-tone phone and follow the prompts in English or French. You'll need your control number, which appears at the bottom of your proxy form.

By mail — Follow the instructions on the proxy form, complete it, then sign and date it, and mail it in the envelope provided to:
Computershare Trust Company of Canada
Attention: Proxy Department
8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1

Computershare must receive your completed proxy form by 1 p.m. Mountain Daylight Time (MDT) on April 29, 2020 for your vote to be counted. If the meeting is adjourned, they must receive your completed proxy form at least 48 hours before the new meeting time. The Chair of the meeting can waive or extend the time limit for depositing proxies at his or her discretion without notice.

If your shares are registered in more than one name, everyone who is registered must sign the proxy form. If the shares are registered in a name that is not your own, or the name of a company, you must provide proof that you're authorized to sign the form. If you have questions about the required documents, contact Computershare at 1.800.564.6253.

Vote in person

If you plan to attend the meeting and vote in person, please do not send us the proxy form. Register with a Computershare representative when you arrive at the meeting.

If you change your mind

If you've already sent a completed proxy form and want to revoke it, you can:

- submit another proxy form with a later date,
- send us a notice in writing, or
- give your written notice to the chair of the meeting before the meeting begins.

Send your new completed proxy form to:
Computershare Trust Company of Canada
Attention: Proxy Department
8th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1

Computershare must receive your revocation by **1 p.m. MDT** on **April 30, 2020** to revoke your previous proxy form. If the meeting is adjourned, they must receive your revocation at least 24 hours before the new meeting time.

Alternatively, you (or your authorized representative) can write to our Corporate Secretary explaining that you want to revoke your previous proxy form:
Corporate Secretary
Capital Power Corporation
12th Floor
10423 - 101 Street
Edmonton, Alberta T5H 0E9

Our Corporate Secretary must receive your letter by **4 p.m. MDT** on **April 30, 2020.** If the meeting is adjourned, she must receive it by **4 p.m. MDT** on the last business day before the new meeting time.

Non-registered shareholders

You're a non-registered (beneficial) shareholder if your shares are held in an account in the name of a nominee (like a bank, securities broker, trustee, trust company or other institution). Most of our shareholders are non-registered shareholders.

If you are a non-registered shareholder, you can vote your shares through your nominee or in person at the meeting. You can also give someone else the authority to attend the meeting and vote for you (see above).

Vote through your nominee

Complete the voting instruction form sent to you and then sign and return it as indicated on the form. Your nominee will follow your voting instructions and vote on your behalf. You can also vote by phone or online by following the instructions on your voting instruction form. Please ensure that you provide your voting instructions on or before the time noted in the voting instruction form.

Vote in person

If you plan to attend the meeting and vote in person, do not put your voting instructions on the voting instruction form. Instead, write your name in the space provided and then sign and return it, making sure you follow the instructions on the form carefully.

Your vote will only be counted if you attend the meeting and vote in person. Register with a Computershare representative when you arrive at the meeting.

If you change your mind

If you've already provided voting or proxyholder instructions, contact your nominee for information about how to revoke them.

Business of the meeting

Receive the financial statements
Our consolidated financial statements for the year ended December 31, 2019 and the auditors' report will be tabled at the annual meeting and are included in our 2019 annual integrated report. Copies will be available at the meeting and on our website (www.capitalpower.com) and on SEDAR (www.sedar.com), or you can request a copy from our Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 - 101 Street, Edmonton, Alberta T5H 0E9.

Elect directors
As a holder of common shares, you will vote on electing nine directors to the Board.

Directors will serve until the next annual meeting, or until their successors are elected or appointed. The director profiles starting on page 13 give you detailed information about their skills and experience, their 2019 attendance record, share ownership and membership on other public company Boards.

Nine nominated directors have been proposed by the Corporate Governance, Compensation and Nominating (CGC&N) Committee and approved by the Board:

Donald Lowry
Doyle Beneby
Jill Gardiner
Kelly Huntington
Jane Peverett
Robert Phillips
Katharine Stevenson
Keith Trent
Brian Vaasjo

Appoint the auditor
You'll vote on appointing our external auditor. The Audit Committee and the Board propose that KPMG LLP (KPMG) be appointed as auditor and serve until the next annual meeting. The Audit Committee recommends KPMG's compensation to the Board for its review and approval.

KPMG has been our auditor since our initial public offering in 2009. The table below shows the fees billed by KPMG for the fiscal years ended December 31, 2019 and 2018.

($ millions)	2019	2018
Audit fees Include audit and review of financial statements, services related to statutory and regulatory filings and providing comfort letters associated with securities documents	$1.1	$1.1
Audit-related fees Include assurance and related services that are not reported under audit fees	$0.1	-
Tax fees Include reviewing tax returns, answering questions about tax audits, and tax planning	-	-
All other fees All other fees are fees for operational advisory and risk management services and non-securities legislative and regulatory compliance work	$0.1	$0.1
Total	$1.3	$1.2

Vote on our approach to executive compensation
You'll vote on our approach to executive compensation (see Executive compensation beginning on page 40).

The Board recommends that you vote ***for*** approval of our approach to Executive compensation:

RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the board of directors that the shareholders accept the approach to executive compensation disclosed in Capital Power's management proxy circular delivered before its 2020 annual meeting of shareholders.

About voting results

A majority of votes must be voted for any item of business to receive shareholder approval.

We report the voting results for each item of business within five days of the annual meeting and file the report on SEDAR (www.sedar.com).

This is an advisory vote and the results are non-binding on the Board. The Board is fully responsible for its decisions about executive compensation and will consider the results of the vote when reviewing compensation matters and making policy decisions in the future. We want the Board to be accountable to you, so this is your opportunity to express your views on this important matter.

We held our first say-on-pay vote in 2012 and have subsequently held say-on-pay votes annually from 2013 to 2019. We received approval in the range of 91% to 99% from our shareholders in these years.

If we receive a significant number of votes against, the Board will meet with shareholders to understand their concerns. The Board will also release a summary of the significant comments they received and explain any resulting changes to our executive compensation. The Board will release the report as soon as practical, ideally within six months of the vote and before the release of next year's circular.

Transact other business
You'll also vote on any other items of business that may properly be brought before the meeting. We're not aware of any other matters that may be brought before the meeting.

About the nominated directors

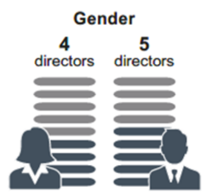
Our articles state that the Board must have between three and twelve directors. The Board has nominated nine directors to be elected by holders of common shares.

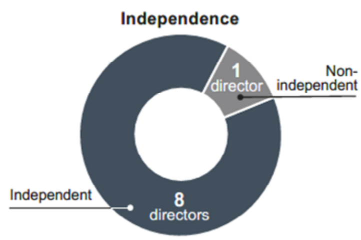
The Board has a strong mix of experience in corporate governance and the power generation industries in Canada and the United States. We believe that each nominated director is willing and able to serve on the Board for a one-year term.

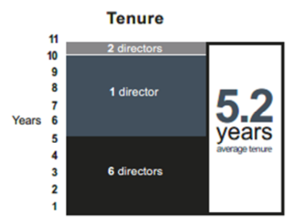
The Board has determined that eight of the nine nominated directors (approximately 89%) are independent as defined by Canadian securities laws, meaning they do not have a material relationship with Capital Power that might reasonably be expected to interfere with their ability to make an independent judgment. Brian Vaasjo is not independent because he is our President & CEO.

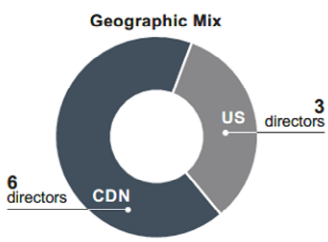
	D. Beneby	J. Gardiner	K. Huntington	D. Lowry	J. Peverett	R. Phillips	K. Stevenson	K. Trent	B. Vaasjo
Board Tenure (in years)	7.9	4.8	4.8	10.7	1	0.9	2.9	2.9	10.7
Geographic Location	US	CDN	US	CDN	CDN	CDN	CDN	US	CDN
Independent Director	√	√	√	√	√	√	√	√	X
Age, as of March 4, 2019	60	61	44	68	61	69	57	60	64
Gender	male	female	female	male	female	male	female	male	male

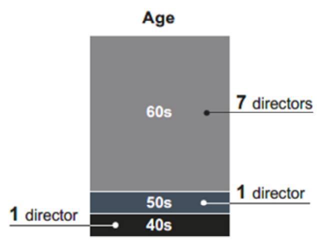
Director nominees at glance











OUR ADVANCE NOTICE BY-LAW

In 2013 we adopted an advance notice by-law, which was approved by shareholders at our 2013 annual meeting of shareholders.

The purpose of the by-law is to make sure all shareholders (including those participating by proxy) receive adequate notice and information about nominated directors, so that they can make informed voting decisions. It also helps ensure orderly and efficient shareholder meetings by providing a structured and transparent framework for nominating directors.

The by-law requires shareholders to give us advance notice about any directors they propose to nominate (including certain prescribed information about them) unless the nominations are made by:

- shareholder meeting requisition, or
- shareholder proposal under the *Canada Business Corporations Act* (in which case those rules govern).

Under the by-law, director nominees are not eligible to become elected directors of Capital Power unless they're nominated according to the provisions of the by-law.

Information about director nominees must include certain prescribed information. This information is similar to the information we are required to disclose about directors in our circular, such as information about their relevant education and experience, and whether or not they're independent. It's designed to make sure shareholders have enough information about each proposed nominee to make informed voting decisions.

For our annual shareholder meeting, we must receive notice of director nominees at least 30 days (and not more than 65 days) before the meeting date. For special shareholder meetings (unless the special meeting is also an annual meeting), we must receive notice not later than 15 days after we file our notice of meeting and record date on SEDAR. If, however, we use notice-and-access to deliver our proxy materials, we must receive notice at least 40 days (and not more than 75 days) before the date of the annual or special meeting.

Our Board plans to review the by-law from time to time and update it when needed to reflect changes in regulatory or securities law requirements or to meet industry standards. It can also waive any requirement of the by-law at any time, in its sole discretion.

A copy of our advance notice by-law is available on SEDAR (www.sedar.com).

OUR POLICY ON DIRECTOR MAJORITY VOTING

The Board adopted a majority voting policy for directors in 2010 contained within its corporate governance policy that requires:

- individual (not slate) voting for all directors, and
- each director to receive a majority of the votes cast for his or her election, otherwise he or she must offer to resign immediately.

If a nominated director does not receive a majority of votes, then the nominee shall be considered not to have received the support of the shareholders, even if elected as a matter of corporate law. In this case, the director is expected to tender his or her resignation with the Board, which will be accepted as soon as possible and will take effect upon acceptance. The director lacking shareholder support would not participate in these discussions.

If the Board decides not to accept such a resignation, the Board would issue a news release explaining its decision within 90 days after the election results are certified.

This policy does not apply to contested director elections.

DIRECTOR PROFILES

The following profiles include information about each nominated director, including their skills, background and experience and list other public company boards of which they're members. We've also included, where applicable, their attendance for our 2019 Board meetings, committee meetings and director education events, last year's voting results and details about their share ownership.

Holdings of Capital Power common shares and deferred share units (DSUs) are as of March 4, 2020 and include reinvested dividends and dividend equivalents. The value of common shares and DSUs are based on the higher of $37.33, the closing price of our common shares on the TSX on March 4, 2020, and their cost of acquisition. Non-employee directors are not entitled to receive options.

Brian Vaasjo does not receive director DSUs or other director compensation because he is compensated in his role as President & CEO (see Executive compensation beginning on page 40 for more information).

None of the nominated directors have any loans from Capital Power or any of our subsidiaries. All information is as at March 4, 2020 unless indicated otherwise.

Donald Lowry, F.ICD (68) (Chair of the Board)

Independent | Director since July 2009 | Edmonton, AB

Donald Lowry has been self-employed as a professional director and board advisor since March 2013 and is an advocate of board diversity. Previously, Mr. Lowry served as President and CEO of EPCOR, a position he held since January 1998. Prior to joining EPCOR, Mr. Lowry spent more than 20 years in the telecommunications industry, including six years as President and Chief Operating Officer of TELUS Communications Inc.

Mr. Lowry graduated from the University of Manitoba with a Bachelor of Commerce degree (Honours), followed by a Master of Business Administration degree. He is a graduate of the Harvard Advanced Management Program and the Banff School of Management. He earned his ICD.D. designation in 2016, and in January 2020, Mr. Lowry was named a 2020 ICD Fellowship Award Honouree.

Mr. Lowry is past chair of the Canadian Electricity Association, past non-executive chair of Canadian Oil Sands Limited, and serves as a director on several boards, including Stantec Inc. and Melcor Real Estate Investment Trust (REIT). Mr. Lowry previously served on the board of Canadian Water Network and has been chair of the Edmonton Triathlon since 2013, including for the 2014 ITU World Triathlon Grand Final Edmonton. He was recognized in 2010 as Alberta Venture's Business Person of the Year and in 2014 as the Alberta Chamber of Resources Person of the Year, 2013.

Mr. Lowry is a regular writer and publisher in industry leading journals and on-line media on the subject of board governance, leadership and strategy. In addition, Mr. Lowry is a frequent speaker and panelist at major industry conferences.

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, operations/development/construction, health safety and environment, cyber/physical security, M&A, talent management/compensation, government/public affairs

Geographic diversity
Western Canada, Central/Eastern Canada

Public board interlocks
None

Board and committee membership	Meeting attendance
Board (chair)	10 of 10 (100%)
Audit Committee (ex-officio non-voting)	4 of 4 (100%)
CGC&N Committee (ex-officio non-voting)	3 of 3 (100%)
Health, Safety and Environment (HSE) Committee (ex-officio non-voting)	3 of 3 (100%)

Securities and DSUs held			
Common shares	11,000	Total common shares and DSUs	55,797
DSUs	44,797	Total market value common shares and DSUs	$2,082,897
Percentage of ownership requirement	210%	Meets ownership requirement (see page 39)	yes
Voting results 2019			
Votes in favour	55,049,919 (93.85%)	Votes withheld	3,604,810 (6.15%)

Other public directorships: Melcor REIT, Stantec Inc.(2)

CEO = Chief Executive Officer | CFO = Chief Financial Officer | M&A = mergers and acquisitions | IPO = initial public offering

Doyle Beneby (60)

Independent | Director since April 27, 2012 | West Palm Beach, FL, USA

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, operations/development/construction, health safety and environment, cyber/physical security, M&A, talent management/compensation, government/public affairs

Geographic diversity
USA

Public board interlocks
None

Doyle Beneby serves as Chief Executive Officer of Midland Cogeneration Venture since November 2018. Prior to that, he had been self-employed as a professional director since May 2016. He was formerly the CEO of New Generation Power International, an international independent renewable energy company, from October 2015 to May 2016. Prior to joining New Generation Power International, Doyle Beneby was the President and CEO of CPS Energy, the largest municipally-owned gas and electric utility in the US, a position he held since August 2010. Mr. Beneby has over 20 years' experience in various aspects of the electrical power industry.

Prior to joining CPS Energy, he served at Exelon Corporation from 2003 to 2010 in various roles, most recently, as Senior Vice President of Exelon Power and President of Exelon Corporation from 2009 to 2010. From 2008 to 2009, Mr. Beneby served as Vice President, Generation Operations for Exelon Corporation, and prior to that and from 2005 to 2008, Mr. Beneby served as Vice President, Electric Operations for PECO, a subsidiary of Exelon Corporation.

Mr. Beneby holds a Master of Business Administration from the University of Miami, and a Bachelor of Science from Montana Technical College.

Board and committee membership	Meeting attendance
Board	10 of 10 (100%)
Audit Committee	4 of 4 (100%)
HSE Committee (chair until April 26, 2019)	1 of 1 (100%)
CGC&N Committee (member as of April 26, 2019)	2 of 2 (100%)

Securities and DSUs held			
Common shares	0	Total common shares and DSUs	39,128
DSUs	39,128	Total market value common shares and DSUs	$1,460,643
Percentage of ownership requirement	227%	Meets ownership requirement (see page 39)	yes

Voting results 2019			
Votes in favour	58,503,608 (99.74%)	Votes withheld	151,121 (0.26%)

Other public directorships: Korn/Ferry International, Quanta Services (2)

Jill Gardiner (61)

Independent | Director since May 25, 2015 | Vancouver, BC

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, finance/accounting, capital markets, M&A, talent management/compensation

Geographic diversity
Western Canada

Public board interlocks
None

Jill Gardiner is a professional corporate director. Previously, she spent over 20 years in the investment banking industry, most recently as Managing Director and Regional Head, British Columbia, for RBC Capital Markets. In her various roles in corporate finance, mergers and acquisitions, and debt capital markets she provided strategic advice to, and helped raise capital for, numerous corporations with a focus on the power, pipeline, infrastructure, forest products and diversified industries. She served as Head of the Forest Products Group and Head of the Pipelines & Utilities Group. Ms. Gardiner was formerly Senior Project Manager at the Ontario Energy Board and a lecturer at the University of Victoria in corporate finance and human resource management.

Ms. Gardiner is currently a member of the board of directors of Trevali Mining Corporation and is chair of the ARC Foundation. She previously served as chair of the board of directors of Turquoise Hill Resources Ltd. and as a member of the boards of Capstone Mining Corp., Parkbridge Lifestyle Communities Inc., Timber Investments Ltd., SilverBirch Hotels & Resorts LP, and a number of non-profit organizations, including the Banff Centre, the Vancouver Art Gallery and the Southern Alberta Institute of Technology.

Ms. Gardiner holds a Bachelor of Science and a Master of Business Administration, both from Queen's University.

Board and committee membership	Meeting attendance
Board	10 of 10 (100%)
Audit Committee	4 of 4 (100%)
CGC&N Committee (chair)	3 of 3 (100%)

Securities and DSUs held			
Common shares	8,142	Total common shares and DSUs	27,287
DSUs	19,145	Total market value common shares and DSUs	$1,018,626
Percentage of ownership requirement	212%	Meets ownership requirement (see page 39)	yes

Voting results 2019			
Votes in favour	58,567,911 (99.85%)	Votes withheld	86,818 (0.15%)

Other public directorships: Trevali Mining Corporation (1)

Katharine Stevenson, ICD.D (57)

Independent | Director since April 3, 2017 | Toronto, ON

Katharine Stevenson has been a professional director since 2007, and has extensive experience as a senior financial executive in Canada and the US from 1995 to 2007, she served as a senior financial executive with Nortel Networks, including Global Treasurer for part of that period. She was with J.P. Morgan and Company from 1984 to 1995, where she had progressively senior finance roles in corporate and investment banking. She presently serves on the boards of directors of Canadian Imperial Bank of Commerce (chair of its Corporate Governance Committee and member of its Management Resources & Compensation Committee) and Open Text Corporation (member of its Audit Committee).

In addition, Ms. Stevenson serves on the St. Michael's Hospital Foundation Board, is past Vice Chair of the Board of Governors of the University of Guelph and past Chair of the Board of The Bishop Strachan School.

Ms. Stevenson holds a Bachelor of Arts (magna cum laude) from Harvard University, and has earned her ICD.D. designation from the Institute of Corporate Directors. In 2018, she was honoured by the Women's Executive Network (WXN) as one of Canada's Top 100 Most Powerful Women.

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, finance/accounting, capital markets, M&A, financial products/commodity trading, talent management/compensation

Geographic diversity
Central/Eastern Canada

Public board interlocks
CIBC

Board and committee membership	Meeting attendance
Board	10 of 10 (100%)
Audit Committee (chair as of April 26, 2019)	4 of 4 (100%)
CGC&N Committee	3 of 3 (100%)

Securities held			
Common shares	4,000	Total common shares and DSUs	19,478
DSUs	15,478	Total market value common shares and DSUs	$727,108
Percentage of ownership requirement	151%	Meets ownership requirement (see page 39)	yes

Voting results 2019			
Votes in favour	58,163,598 (99.16%)	Votes withheld	491,131 (0.84%)

Other public directorships: CIBC, OpenText Corporation (2)

Robert L. Phillips, Q.C., F.ICD (69)

Independent | Director since April 26, 2019 | Anmore, BC

Robert Phillips is President of R. L. Phillips Investments Inc, a private investment firm (2001 – present) and was previously President and CEO of British Columbia Railway Corporation from 2001-2004. Mr. Phillips practiced corporate law for 15 years and has served in senior executive positions with Husky Energy Inc., Dreco Energy Services Ltd., PTI Group, Inc. and MacMillan Bloedel Limited.

Mr. Phillips serves on the boards of several Canadian and US corporations, including Canadian Western Bank (chair and member of its Audit Committee), West Fraser Timber Co. Ltd. (lead director) and Canadian National Railway. Mr. Phillips also serves on the board of Maxar Technologies Inc. (member of its Audit Committee), however he has advised Capital Power Corporation that he intends to retire from that board in May 2020. He previously served on the board of Capital Power Corporation (EPCOR nominee from 2009-2013), as well as EPCOR Utilities Inc., Axia NetMedia Corporation, Dreco Energy Services Ltd., National-Oilwell Inc., Precision Drilling Corporation and others.

Mr. Phillips received his Bachelor of Laws (Gold Medalist) and Bachelor of Science, Chemical Engineering (Hons) degrees from the University of Alberta and is a fellow and director of the Institute of Corporate Directors (Chair of its Audit Committee).

Experience

CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, health, safety and environment, capital markets, M&A, talent management/compensation, regulatory/legal

Geographic diversity

Western Canada

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	6 of 6 (100%)
Audit Committee (member as of April 26, 2019)	2 of 2 (100%)
HSE Committee (member as of April 26, 2019)	2 of 2 (100%)

Securities and DSUs held			
Common shares	1,000	Total common shares and DSUs	4,023
DSUs	3,023	Total market value common shares and DSUs	$150,194
Percentage of ownership requirement	31%	Meets ownership requirement (see page 39)	in progress

Voting results 2019			
Votes in favour	52,026,123 (88.70%)	Votes withheld	6,628,606 (11.30%)

Other public directorships: Canadian Western Bank, West Fraser Timber Co. Ltd., Canadian National Railway, Maxar Technologies Inc. (until May 2020) (4)

Keith Trent (60)

Independent | Director since April 3, 2017 | Charlotte, NC, USA

Keith Trent has been a professional director since 2015, and has 14 years' experience as an energy executive, general counsel and internal legal counsel. From 2005 to 2015, Mr. Trent held a variety of senior executive positions with Duke Energy Corporation (Duke), including as general counsel, with responsibility for long-term grid strategy, four regulated utilities, electric transmission, regulated fossil-fuel and hydro generation, health, safety and environment, fuel and system optimization, central engineering and services, and commercial businesses operating in domestic and international retail and wholesale competitive markets. From 2002 to 2005, Mr. Trent held a variety of positions with Duke with responsibility for corporate strategy, government relations, corporate communications, technology initiatives, legal, internal audit and compliance, and major litigation and government investigations (as Lead Litigator). Prior to 2002, Mr. Trent practiced law for 15 years.

Mr. Trent currently serves on the boards of directors of Edison International, Inc., TRC Companies Inc. and AWP Inc. He has previously served on the advisory board of Forsite Development Inc., the board of trustees of The Keystone Energy Board, on the Accenture Global Energy Board, on the board of visitors of the Wake Forest University School of Business, and on the board of Electric Power Research Institute.

Mr. Trent holds a Juris Doctor degree, and a Bachelor of Science (Electrical Engineering). He also completed the Advanced Management Program at Harvard Business School.

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, operations/development/ construction, health safety and environment, cyber/physical security, M&A, financial products/commodity trading, talent management/compensation, government/public affairs, regulatory/legal

Geographic diversity
USA

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	10 of 10 (100%)
CGC&N Committee (member until April 26, 2019)	1 of 1 (100%)
HSE Committee (chair as of April 26, 2019)	3 of 3 (100%)
Audit Committee (member as of April 26, 2019)	2 of 2 (100%)

Securities and DSUs held			
Common shares	0	Total common shares and DSUs	14,048
DSUs	14,048	Total market value common shares and DSUs	$524,415
Percentage of ownership requirement	82%	Meets ownership requirement (see page 39)	in progress

Voting results 2019			
Votes in favour	58,503,050 (99.74%)	Votes withheld	151,679 (0.26%)

Other public directorships: Edison International, Inc. (1)

Mr. Trent was a member of the management committee of Crescent Resources, LLC, a real estate joint venture between Duke Energy Corporation and Morgan Stanley Real Estate Fund. In 2009, subsequent to Mr. Trent having ceased to be a member of the management committee, Crescent Resources, LLC went into chapter 11 bankruptcy protection under the U.S. Bankruptcy Code.

Kelly Huntington (44)

Independent | Director since June 3, 2015 | Indianapolis, IN, USA

Kelly Huntington is Senior Vice President and CFO of USIC, a position she has held since November 2019. Previously, she was Senior Vice President of Enterprise Strategy at OneAmerica Financial Partners, Inc. from 2015 to 2019. Prior to that, she was President and CEO for Indianapolis Power & Light Company (IPL) from 2013 until 2015, and was also a member of the board of IPL and IPALCO Enterprises Inc. Prior to that, she was Senior Vice President and CFO at IPL and held various leadership positions at The AES Corporation. She began her career in investment banking and private equity. Ms. Huntington currently serves as vice chair of Riley Children's Endowment, as second vice chair of the Indianapolis Zoo, and as secretary and chief operating officer of The Economic Club of Indiana. Ms. Huntington was previously chair of the board of directors of Indianapolis Neighborhood Housing Partnership.

Ms. Huntington holds a Master of Business Administration from Northwestern University's Kellogg School of Management, a Bachelor of Science from the Massachusetts Institute of Technology, and is a Chartered Financial Analyst.

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, operations/development/ construction, health safety and environment, cyber/physical security, finance/accounting, capital markets, M&A, financial products/commodity trading, talent management/compensation, government/public affairs, regulatory/legal

Geographic diversity
USA

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	10 of 10 (100%)
Audit Committee (member until April 26, 2019)	2 of 2 (100%)
HSE Committee	3 of 3 (100%)
CGC&N Committee (member as of April 26, 2019)	2 of 2 (100%)

Securities and DSUs held			
Common shares	0	Total common shares and DSUs	22,511
DSUs	22,511	Total market value common shares and DSUs	$840,319
Percentage of ownership requirement	131%	Meets ownership requirement (see page 39)	yes

Voting results 2019			
Votes in favour	58,516,331 (99.76%)	Votes withheld	138,398 (0.24%)

Other public directorships: None

Jane Peverett, ICD.D (61)

Independent | Director since March 1, 2019 | West Vancouver, BC

Jane Peverett has been a professional director since 2009. Ms. Peverett was President and Chief Executive Officer of British Columbia Transmission Corporation from 2005 to 2009 and Chief Financial Officer from 2003 to 2005. From 1987 to 2003 she held senior finance, regulatory and executive roles at Westcoast Energy Inc., including President and CEO of Union Gas from 2001 to 2003 (leader of the merger of Union into Duke Energy), CFO of Union Gas, and VP Finance of Westcoast Energy. She presently serves on the boards of directors of Canadian Imperial Bank of Commerce (chair of its audit committee and member of its corporate governance committee), CP Rail (chair of its audit committee and member of its finance committee) and NW Natural Gas (chair of its Finance Committee, member of its organization and executive compensation committee and public affairs and environmental policy committee). Ms. Peverett also serves on the board of the Canadian Standards Association (chair of the board), a non-public organization.

Ms. Peverett has also previously served on the boards of directors of AEGSIS Insurance Services, Postmedia, as past chair of the audit committee for Encana, as past chair of the governance and nominating committee for Hydro One Inc., and past chair of the board of BC Ferries Authority.

Ms. Peverett holds a Bachelor of Commerce degree from McMaster University, a Master of Business Administration from Queen's University, is a Certified Management Accountant, and a Fellow of the Society of Management Accountants.

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, operations/development/ construction, heath, safety and environment, finance/accounting, capital markets, M&A, financial products/commodity trading, talent management/compensation, government/public affairs, regulatory/legal

Geographic diversity
Western Canada

Public board interlocks
CIBC

Board and committee membership	Meeting attendance
Board	8 of 8 (100%)
CGC&N Committee (member as of April 26, 2019)	2 of 2 (100%)
HSE Committee (member as of April 26, 2019)	2 of 2 (100%)

Securities, DSUs and options held			
Common shares	0	Total common shares and DSUs	2,125
DSUs	2,125	Total market value common shares and DSUs	$79,334
Percentage of ownership requirement	17%	Meets ownership requirement (see page 39)	in progress

Voting results 2019			
Votes in favour	58,400,006 (99.57%)	Votes withheld	254,723 (0.43%)

Other public directorships: CIBC, NW Natural Gas, CP Rail (3)

Ms. Peverett was a director of Postmedia Networks Canada Corp. (Postmedia) between April 2013 and January 2016. On October 5, 2016, Postmedia completed a recapitalization transaction pursuant to a court approved plan of arrangement under the *Canada Business Corporations Act* under which, approximately US$268.6 million of debt was exchanged for shares that represented approximately 98% of the outstanding shares at that time. Additionally, Postmedia repaid, extended and amended the terms of its outstanding debt obligations pursuant to the recapitalization transaction.

Brian Vaasjo (64)

President & CEO | Not independent | Director since May 2009 | Edmonton, AB

Brian Vaasjo has been the President & CEO of Capital Power since July, 2009. Prior thereto, he was Executive Vice President of EPCOR, and was President of EPCOR's Energy Division. At EPCOR, he was responsible for regional power generation, water operations and the growth of EPCOR's competitive power and water businesses across North America, as well as development and acquisition. He was President of Capital Power Income L.P. (CPILP) from September 2005 until July 2009 and chair of the board of its general partner from July 2009 to November 2011.

Mr. Vaasjo spent 19 years with the Enbridge Group of Companies and played a substantial role in several important acquisitions, developments and public offerings. He has a Master of Business Administration, is a Fellow of the Society of Chartered Professional Accountants, and has been on the boards of several non-profit organizations.

Experience
CEO/senior leadership, strategy and planning, governance/compliance, risk management and oversight, power/energy industry, operations/development/ construction, cyber/physical security, finance/accounting, capital markets, M&A, financial products/commodity trading, government/public affairs, regulatory/legal

Geographic diversity
Western Canada

Public board interlocks
None

Board and committee membership	Meeting attendance
Board	10 of 10 (100%)
Audit Committee	4 of 4 (100%)
CGC&N Committee	3 of 3 (100%)
HSE Committee	3 of 3 (100%)

Securities, DSUs and options held			
Common shares	144,504	Total common shares and DSUs	144,504
DSUs	N/A	Total market value common shares and DSUs	$5,394,334
Percentage of ownership requirement (see page 45)	171%	Meets ownership requirement (see page 45)	yes

As of March 4, 2020, Brian Vaasjo holds 64,790 performance share units (PSUs) and 1,241,507 stock options. Share ownership for Mr. Vaasjo is based on the sum of the number of common shares held by him and his earned PSUs as of December 31, 2019 (see page 45).

Voting results 2019			
Votes in favour	58,563,295 (99.84%)	Votes withheld	91,434 (0.16%)

Other public directorships: None

Mr. Vaasjo attends Audit Committee, CGC&N Committee and HSE Committee meetings as a guest and in his capacity as President & CEO of Capital Power.

MEETING ATTENDANCE AND COMMITTEE MEMBERSHIPS

We expect our directors to attend all Board and relevant committee meetings. The CGC&N Committee reviews the attendance records to ensure each director has attended at least 80% of the meetings. If attendance falls below this level and there are no extenuating circumstances, the committee will discuss the situation and recommend to the Board whether the Board should seek the director's resignation.

Donald Lowry attends committee meetings as an ex-officio and non-voting member. Some directors also attend other committee meetings as guests, as noted below.

	Board meetings		Committee meetings					
			Audit		CGC&N		HSE	
Donald Lowry	(chair) 10 of 10	100%	4 of 4	100%	3 of 3	100%	3 of 3	100%
Doyle Beneby	10 of 10	100%	4 of 4	100%	2 of 2	100%	(chair) 1 of 1	100%
Jill Gardiner	10 of 10	100%	4 of 4	100%	(chair) 3 of 3	100%		
Kelly Huntington	10 of 10	100%	4 of 4	100%	2 of 2	100%	3 of 3	100%
Jane Peverett	8 of 8	100%			2 of 2	100%	2 of 2	100%
Robert Phillips	6 of 6	100%	2 of 2	100%			2 of 2	100%
Katharine Stevenson	10 of 10	100%	(chair) 4 of 4	100%	3 of 3	100%		
Keith Trent	10 of 10	100%	2 of 2	100%	1 of 1	100%	(chair) 3 of 3	100%
Brian Vaasjo	10 of 10	100%	4 of 4	100%	3 of 3	100%	3 of 3	100%

Notes

- Mr. Vaasjo attends committee meetings as a guest and in his capacity as President & CEO of Capital Power.
- Ms. Peverett was appointed to the Board effective March 1, 2019.
- Mr. Phillips was appointed to the Board effective April 26, 2019.
- Committee assignments were amended as of April 26, 2019. Audit Committee members are Katharine Stevenson (chair), Doyle Beneby, Jill Gardiner, Robert Phillips, and Keith Trent. CGC&N Committee members are Jill Gardiner (chair), Doyle Beneby, Kelly Huntington, Jane Peverett, and Katharine Stevenson. HSE Committee members are Keith Trent (chair), Kelly Huntington, Jane Peverett, and Robert Phillips. Doyle Beneby was chair of HSE Committee until April 26, 2019.
- The Board established an ad hoc CEO Search Committee in July 2019 (comprised of Doyle Beneby (chair), Jill Gardiner, Kelly Huntington, and Don Lowry). The ad hoc committee met informally several times between July 2019 and December 2019.

DIRECTOR INTERLOCKS

Two of our director nominees serve together on other public company boards. Jane Peverett and Katharine Stevenson serve together on the board of directors of Canadian Imperial Bank of Commerce (CIBC) and are both on the corporate governance committee (which Ms. Stevenson chairs).

When recommending new directors, the Board considers any potential director interlocks and must agree that any such interlock would not impair the exercise of independent judgment by the interlocked directors, failing which, an interlocked director would not be recommended and nominated for election.

DIRECTOR EDUCATION

We endeavour to provide education and update contextual information as required to ensure that our directors have the most up-to-date knowledge to inform their decisions. Our directors receive materials before each Board meeting that include background information about items to be considered at the meeting. We also encourage our directors to attend externally hosted education conferences and seminars and Capital Power contributes to the cost. The table below lists the education we provided directly to our directors in 2019. You can find more information about education and ongoing development of directors on page 25.

Date	Event	Description	Attendees	
February	Presentation on leadership and growth	Presentation by Chris Huskilson, Former CEO of Emera	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington	Philip Lachambre Katharine Stevenson Keith Trent Brian Vaasjo
April	Financial Strategy Session	Presentations by members of Capital Power's Finance Team	Donald Lowry Albrecht Bellstedt Doyle Beneby Patrick Daniel Jill Gardiner Kelly Huntington	Philip Lachambre Jane Peverett Robert Phillips Katharine Stevenson Brian Vaasjo
April	The Politics of Energy in Canada	Presentation by Chad Rogers, Crestview Strategies	Donald Lowry Albrecht Bellstedt Doyle Beneby Jill Gardiner Kelly Huntington	Philip Lachambre Jane Peverett Robert Phillips Katharine Stevenson Brian Vaasjo
April	Director Orientation	Presentations by Capital Power Executive and Management	Jane Peverett	Robert Phillips
June	CGC&N Committee Orientation (new members)	Presentation by Jacquie Pylypiuk, VP Human Resources	Doyle Beneby	Kelly Huntington
July	Plant Tour	Tour of Genesee	Jane Peverett	
October	Commodity Portfolio Management and Risk Management	Presentation by Josh Campbell, VP CPM & Corporate Strategy and Elisa Hung, VP Risk Management & Internal Audit of Capital Power	Donald Lowry Doyle Beneby Jill Gardiner Kelly Huntington	Jane Peverett Robert Phillips Katharine Stevenson Brian Vaasjo
October	Presentation on C2CNT Technology	Presentation by Dr. Stuart Licht	Donald Lowry Doyle Beneby Jill Gardiner Kelly Huntington	Jane Peverett Robert Phillips Katharine Stevenson Brian Vaasjo

Note

- Albrecht Bellstedt and Philip Lachambre did not stand for re-election at the April 26, 2019 shareholders meeting.

In addition, the chairs of our Board and CGC&N Committee have a license to access certain materials from Equilar, a provider of board intelligence solutions, for internal research purposes (such as benchmarking).

2. Governance

Governance at Capital Power

We're committed to responsible corporate governance. We believe that effective governance is a major contributor to long-term performance and investor confidence.

Our corporate governance practices are consistent with the following, as adopted by the Canadian Securities Administrators:
- National Policy 58-201 — Corporate Governance Guidelines (NP 58-201);
- National Instrument 58-101 — Disclosure of Corporate Governance Practices (NI 58-101);
- National Instrument 52-110 — Audit Committees (NI 52-110);
- National Instrument 52-109 — Certification of Disclosure in Issuers' Annual and Interim Filings (CSOX); and
- Form 58-101F1 — Corporate Governance Disclosure (58-101F1).

We've adopted a comprehensive corporate governance policy which is available on our website (www.capitalpower.com). Management also assessed our financial reporting procedures this year and concluded that we are in compliance as of December 31, 2019.

GOVERNANCE HIGHLIGHTS

✓	Voting is by individual director, we have a majority voting policy and we disclose the voting results on all items of business within five business days of a shareholder meeting
✓	We maintain separate chair and CEO positions so the Board can function independently, monitor management's decisions and actions and effectively oversee our affairs
✓	The majority of our Board nominees (eight out of nine) are independent
✓	The chair of the Board is independent
✓	The Board has developed clear position descriptions for the chair of the Board, each committee and the CEO
✓	Our Audit Committee is 100% independent
✓	Our CGC&N Committee is 100% independent
✓	Directors must meet share ownership requirements within five years of joining the Board or within five years of a material change to their compensation (three times their annual cash and equity retainer in Capital Power DSUs and/or common shares). Capital Power's senior executive officers must also meet share ownership requirements (see page 45 for more information on the share ownership requirements for executive officers)
✓	Our Board has a formal, written mandate
✓	The Board meets without management present (in-camera) at every meeting
✓	We expect 100% attendance of our directors. The CGC&N Committee reviews the attendance record to ensure directors have attended at least 80% of Board meetings and their respective committee meetings
✓	The Board has adopted a written code of business conduct and ethics, and monitors our compliance with it
✓	The Board oversees management, strategic and corporate planning, risk management, succession planning, leadership development and sustainability
✓	We conduct an advisory vote on executive compensation, giving shareholders a say on pay
✓	We adopted an incentive claw-back policy and anti-hedging policy, further aligning the interests of executives and shareholders
✓	We have orientation and continuing education programs for our directors
✓	We maintain a skills matrix to assist in planning, developing and managing the skills and competencies of the Board
✓	Our Board evaluation process involves annual board and committee effectiveness surveys, annual director and chair self-assessments, annual one-on-one meetings between each director and chair of the Board, and peer-to-peer assessments conducted every three years by an independent third party
✓	The Board has adopted a board diversity policy, which has minimum requirements regarding the proportion of women candidates in director search shortlists and a 30% target for the proportion of women on our Board
✓	The Board has adopted a director tenure & succession policy which establishes term limits and Board chair succession
✓	The Board has adopted a shareholder engagement policy
✓	The chair of the Board and the chair of CGC&N Committee conducted shareholder engagement events in September 2019
✓	Amendments to our articles and by-laws, and approval of mergers, require a shareholder vote at levels required by law

About the Board

The Board is responsible for the stewardship of Capital Power, providing independent, effective leadership to oversee the management of Capital Power's business and affairs and to grow value responsibly and in a profitable and sustainable manner. The Board is actively engaged, supervises our business and affairs, and is specifically responsible for:

- management, strategic and corporate planning (including environmental, social and governance (ESG)) oversight
- enterprise risk management
- Board and CEO succession planning
- shareholder engagement

Capital Power values integrity, diversity, hard work and devotion to doing what's right for our company, investors, community partners and the rest of our stakeholders. The Board ensures that management's plans and activities are consistent with these values and supports our vision to power a sustainable future.

Independence
Eight out of nine director nominees (approximately 89%) are independent according to the standards of independence established under Section 1.2 of NI 58-101. Brian Vaasjo is not considered independent because he is Capital Power's President & CEO.

Nominated directors	Independent	Not independent
Donald Lowry (chair)	✓	
Doyle Beneby	✓	
Jill Gardiner	✓	
Kelly Huntington	✓	
Katharine Stevenson	✓	
Keith Trent	✓	
Jane Peverett	✓	
Robert Phillips	✓	
Brian Vaasjo		✓

An independent, non-executive director chairs our Board. The Board met 10 times in 2019. The directors met without management at all meetings. You'll find the Board's terms of reference in Appendix A.

Separate chair and CEO positions

We maintain separate chair and CEO positions, each with their own position descriptions (or terms of reference). The chair leads, manages and organizes the Board with a strategic focus and presides over its meetings while encouraging strong participation and commitment from all directors. The chair also works with the CEO to develop and maintain productive stakeholder relationships, and to ensure that the Board represents shareholders' interests.

The CGC&N Committee recommends, and the Board nominates, director candidates based on the skills matrix, their character and leadership strengths and other key qualities like breadth of experience, insight and knowledge, financial and compensation literacy, and business judgment. The terms of reference for the chair of the Board, each committee, individual directors and the President & CEO include detailed position descriptions and are available on our website (www.capitalpower.com).

Ethics
Our ethics policy applies to all permanent and temporary employees and members of our Board of directors. We expect all members of our team to conduct themselves in a manner that reflects our core values for our people: trustworthy, reliable and authentic. Everyone must read, understand and comply with the policy, and executives must certify their compliance with the policy quarterly. Our ethics policy is on our website (www.capitalpower.com), or you can ask our Corporate Secretary to send you a copy (see page 71).

The Board has oversight and control over the policy including governance over all material changes to the ethics policy.

All material changes are communicated to employees through a company wide communication shortly after Board approval.

Board

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

Senior officers

All senior officers must certify compliance with the policy quarterly and the President & CEO and Senior Vice-President & CFO certify our quarterly and annual financial statements and related management's discussion and analysis (MD&A), as well as our 2019 AIF, for filing with the Canadian Securities Administrators.

Reporting a concern

We've worked hard to foster a culture where anyone can speak openly about ethical concerns. Employees can raise a concern anonymously through our Integrity Hotline.

Our Integrity Hotline is available 24 hours a day, seven days a week (call 1.866.363.8028 or go to www.CPCEthics.com). A third party operates the hotline on our behalf to ensure confidentiality.

Employees can also raise a concern directly with their manager, Human Resources, our Chief Compliance Officer, any member of senior management or the Board of directors.

Investigating ethical complaints

We investigate complaints promptly and thoroughly.

A written report is completed for every investigation process, including its outcome, and is maintained on file.

Material interests

Under the Board's terms of reference, a director must disclose to us in writing any material interest he or she has in a material contract with us, whether or not it is a current or proposed contract, or have the interest entered in the minutes of the Board meeting, including its nature and extent. The director must refrain from participating in any discussion or voting on the matter. In practice, a director with a material interest recuses himself or herself from the Board meeting when a discussion or vote takes place on such a matter.

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.

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 disclosure before it is 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.

Ethics training

All of our directors and employees must participate in ethics training every two years and attest that they understand the material covered, including reporting avenues to disclose concerns, and will comply with the ethics policy. Topics are geared towards the audience, with employee training covering all elements of the ethics policy, including corruption, as well as insider trading, discrimination, workplace harassment, sexual harassment and workplace violence.

ROLE AND RESPONSIBILITIES

The Board is responsible for overseeing management, our strategy and enterprise risk management (including compliance with laws and regulations). It approves all matters required under the *Canada Business Corporations Act*, and any other legislation that applies to us, our articles and our by-laws. In carrying out the duty to act in the best interests of Capital Power, the directors may consider the interests of shareholders, employees, retirees, pensioners, creditors, consumers, governments, the environment and the long-term interests of the corporation.

The Board can delegate the review and approval of issues to its standing committees, however most committee recommendations must be approved by the entire Board.

The Board explicitly delegates certain powers to management by written policy and subject to specific limits. Examples include:

- contract execution and spending authority policy
- financial exposure management policy
- investment policy

Management, strategic and corporate planning oversight

The Board is responsible for overseeing management, as well as our strategic and corporate planning, in an annual process that is designed to:

- maximize shareholder value
- ensure that we operate consistently with our values
- assess the opportunities and risks of our business

As President & CEO, Brian Vaasjo leads the executive team and is responsible for Capital Power's strategic direction, sound management and performance.

Management follows a comprehensive planning process for developing our strategy, corporate plan and annual budget.

First quarter	Management begins the process for the following year by carrying out the following: • assessment of industry trends and the competitive environment • preparation of commodity and economic forecasts • review of how well it executed its strategy in the previous year • determination of what modifications to the strategy are necessary (if any) • adjustment of its plans and objectives to execute the strategy • preparation of a long-range financial forecast
Second quarter	Management uses the inputs to develop our strategy and corporate plan, which contains our objectives, activities, forecasts and a risk assessment, and submits the draft strategy and corporate plan to the Board (generally in May). The Board and management meet for a two-day, off-site planning session to discuss the strategic plan. Management highlights the risks and solicits feedback from the Board and any proposed changes to the strategy and tactics.
Third quarter	Management reviews the feedback and makes changes to the strategy and corporate plan. It submits the revised strategy and corporate plan to the Board for approval, generally at its July meeting.
Fourth quarter	In October, management updates its financial forecasts based on recent events, updated commodity forecasts and the current budget. Corporate performance measures are also established for the following year based on the approved budget. Management establishes the budget based on the approved strategy and plan, and submits it to the Board for approval.

The Board discusses the impact of current events and developments on our strategic plan, and reviews our performance against our strategic plan, every quarter.

Enterprise risk management

Effectively managing risk is critical to maximizing shareholder value. We believe that risk management is everyone's responsibility, from the Board to individual employees.

Our enterprise risk management (ERM) program is based on the Committee of Sponsoring Organization's standard for risk management, COSO Enterprise Risk Management – Integrated Framework, and uses a systematic approach to identify, treat, report and monitor risk. ERM practices are embedded in two key corporate processes (strategic and long term planning, and operational planning and budgeting), so we can identify risks that could prevent us from achieving our strategic and business objectives and develop strategies to mitigate those risks. This includes assessing specific risk areas, including unpredictable or unusual risks as well as emerging risks to our business.

We expect everyone to understand the risks that fall within their areas of responsibility and to manage these risks within approved risk tolerances.

Open communication is a key part of the process. We need our people to share the best available information (quantitative and qualitative), drawing from historical data, experience, stakeholder feedback, observation, forecasts and their expert judgment.

The Board reviews and approves our risk tolerances, ERM policy, risk management processes and accountabilities every year.

The President & CEO is ultimately accountable for managing our risks and approving the ERM framework. He manages ERM through the executive team, which consists of his direct reports.

The Vice President of Risk Management and Internal Audit has day-to-day responsibility for the ERM framework, and reports administratively to the Chief Legal & Sustainability Officer and has a direct reporting relationship with the Audit Committee. The Vice President presents a risk report to the Board twice a year and updates as required.

Succession planning and leadership development

We maintain and oversee succession and talent development plans for the CEO, executive team and other critical roles to ensure business continuity in cases of unexpected departures, to support our future growth and to retain our talent. The CGC&N Committee reviews the plans at least once a year and reports them to the Board.

The committee also discusses our broader performance management and talent development programs to ensure that we are developing our non-executive management talent to support our ongoing business needs.

ORIENTATION AND ONGOING DEVELOPMENT

We believe in the importance of orientation for new directors and continuing education for ongoing development of the skills and knowledge of the Board.

The Board has a director orientation and education policy that includes:

- guidelines for new directors
- types of education and orientation information for directors
- educational opportunities
- site visits
- conferences, symposiums and seminars

Orientation

New directors receive information about their duties and obligations and our business and operations, as well as minutes and other documents from recent Board meetings. They also receive a corporate governance manual prepared by management that includes our articles, by-laws and other Board documents. Directors are responsible for familiarizing themselves with the content before their first Board meeting.

New directors are assigned a “board buddy” and also spend a day with management and attend an orientation session to develop a basic understanding of Capital Power and our business before their first Board meeting.

We may also provide additional information tailored to a new director’s needs and interests, information on our current activities, and any other information that a new director requests. A new director will also be offered a tour of one or more of Capital Power’s plants.

We encourage new directors to attend committee meetings as an ex-officio member to broaden their understanding of different aspects of our business and governance in general.

Ongoing development

Management regularly provides articles, papers and in-house seminars on issues relevant to Capital Power, our business, the industry, and the regulatory environment. Directors are responsible for reviewing the materials, attending the seminars, and staying up to date on relevant issues through the media and other public information sources. In addition, we regularly invite third parties to present to the Board on relevant industry, business or governance topics. See our summary of director education events during 2019 on page 19.

We also offer periodic site visits, including tours of facilities and plants we own that are illustrative of each of the various types of facilities and plants we own and operate. Directors are responsible for attending these whenever practicable.

We regularly provide our directors with a list of relevant external seminars and industry conferences. Directors may attend conferences, industry symposia and other seminars and we will reimburse them 100% of the cost (including reasonable travel expenses), as long as the chair of the Board or chair of the CGC&N Committee believes that the content is specific to the power industry and Capital Power would benefit from the director’s attendance, and pre-approves it, and the director submits original receipts with the expense claim. We will reimburse them 50% of the cost (including reasonable travel expenses), as long as the chair of the Board or chair of the CGC&N Committee believes that the content is of a general governance nature that would be relevant to Capital Power and to other Boards on which the director sits, and pre-approves it, and the director submits original receipts with the expense claim.

You can learn more about the presentations our directors received in 2019 on page 19.

RECRUITMENT, ASSESSMENT AND TENURE

Skills matrix

The CGC&N Committee uses a skills matrix to identify and track the key skills and areas of strength that the Board believes are important for overseeing our business, management and our future growth. The matrix is reviewed annually to ensure that it remains relevant and consistent with our go-forward strategy.

The table below shows the skills and strengths of the director nominees. You can learn more about each director's skills and experience in the director profiles beginning on page 13.

	D. Lowry	D. Beneby	J. Gardiner	K. Huntington	K. Stevenson	K. Trent	J. Peverett	R. Phillips	B. Vaasjo
Background/Experience									
CEO/Senior Leadership[1]	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategy and Planning[2]	✓	✓	✓	✓	✓	✓	✓	✓	✓
Governance/Compliance[3]	✓	✓	✓	✓	✓	✓	✓	✓	✓
Risk Management and Oversight	✓	✓	✓	✓	✓	✓	✓	✓	✓
Power/Energy Industry[4]	✓	✓	✓	✓		✓	✓	✓	✓
Operations/Development/Construction[5]	✓	✓		✓		✓	✓		✓
US operations	✓	✓		✓		✓			✓
Canadian operations	✓						✓		✓
Health, Safety and Environment[6]	✓	✓		✓		✓	✓	✓	
Cyber/Physical Security [7]	✓	✓		✓		✓			✓
Finance/Accounting[8]			✓	✓	✓		✓		✓
Capital Markets[9]			✓	✓	✓			✓	✓
M&A[10]	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial Products/Commodity Trading[11]				✓	✓	✓	✓		✓
Talent Management/Compensation[12]	✓	✓	✓	✓	✓	✓	✓	✓	
Government/Public Affairs[13]	✓	✓		✓		✓	✓		✓
Regulatory/Legal				✓		✓	✓	✓	✓
Geographic Diversity									
Western Canada	✓		✓				✓	✓	✓
Central/Eastern Canada	✓				✓				
USA		✓		✓		✓			

Notes

(1) CEO/Senior Leadership – experience as a CEO, senior executive or senior partner of a public company or other organization of similar complexity

(2) Strategy and Planning – ability to think strategically, identify and critically assess strategic opportunities and threats including transformational or disruptive change, and provide guidance on effective strategies

(3) Governance/Compliance – understanding of good corporate governance practices and policies usually gained through experience as a board member of a public company (including as board or committee chair)

(4) Power/Energy Industry – experience as a director, senior executive, or advisor in the power or broader energy sector (including in Alberta's power markets)

(5) Operations/Development/Construction – management or executive experience in power or utility operations, engineering, development or construction

(6) Health, Safety and Environment – board or management experience in, or understanding of, the regulatory environment surrounding workplace health and safety, the environment, sustainability and social responsibility

(7) Cyber/Physical Security – management or executive experience in securing corporate information systems and industrial controls, or physically securing and restricting access to offices and/or industrial plants

(8) Finance/Accounting – experience as CFO or senior executive or partner in accounting, financial management or banking with understanding of financial accounting and reporting, corporate finance, financial internal controls and Canadian GAAP/IFRS

(9) Capital Markets – experience as an investment banker or with transactions to raise capital (including public and private equity and debt offerings), and understanding of relationships between issuers, underwriters and market participants

(10) M&A – experience in major transactions involving private and/or public companies, such as mergers, acquisitions, divestitures and takeover defence

(11) Financial Products/Commodity Trading – experience as an executive, CFO, treasurer, or investment banker in managing or overseeing financial and/or commodity trading and derivatives products

(12) Talent Management/Compensation – management, executive or board experience in designing or implementing market-based compensation plans, leadership development, talent management, succession planning, pensions, compensation decision-making (including risk-related aspects of compensation) and/or human resources principles and practices generally

(13) *Government/Public Affairs* – board or management experience in, or understanding of, government and public affairs generally, including government relations in Canada or the US, in the context of the power industry or other highly-regulated industries

Board assessment
The CGC&N Committee is responsible for Board assessment, which involves assessing individual directors, committees, committee chairs, the Board chair and overall Board effectiveness. Pursuant to our director 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, and these matters are discussed in camera at every meeting of the CGC&N 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)
- triennial peer-to-peer evaluations for all directors, which must be conducted by an independent third party
- annual Board and committee effectiveness surveys

Every year, the Board and each Board 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 CGC&N Committee. The chair of the Board also discusses Board and committee performance with members of senior management.

In the fourth quarter of 2019, 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 CGC&N Committee.

Finally, the chair of the Board conducted one-on-one interviews with each director and members of senior management in early 2020. Although not anonymous, the one-on-one interviews between the chair and each director allowed the 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 CGC&N Committee and the Board at their meetings in February 2020.

The chair is committed to fostering a culture of continuous improvement and the Board addresses all areas for improvement in Board effectiveness that are identified through our assessment processes.

You can read more about the annual evaluation process in our corporate governance policy on our website (www.capitalpower.com).

Director tenure and succession
Our Board has adopted a director tenure & succession policy (tenure policy) and a succession plan & committee rotation (succession plan). Our Board has not adopted a retirement age policy because we believe that term limits are a better way to ensure continual Board renewal.

Our tenure policy provides that:

- our primary tools for determining who to nominate to the Board are our director skills matrix and our peer-to-peer director performance evaluations
- in order to remain on the Board, a director must be re-elected by our shareholders and receive satisfactory performance reviews
- non-management directors elected or appointed to the Board prior to 2016 will have a maximum tenure of 12 years
- non-management directors elected or appointed to the Board during or after 2016 will have a maximum tenure of 10 years
- the Board may extend the term of any director beyond the limits in the tenure policy if the Board determines that Capital Power and the Board would benefit from a director's service beyond the term limit (and any exercise of such discretion must be identified and disclosed to our shareholders in the circular in which such director is being nominated for election beyond his or her term limit)
- the CGC&N Committee reviews the anticipated retirement dates of our directors every year, and, in conjunction with this review, will consider the Board's size and composition, succession planning needs associated with loss of skills and experience, the need for Board continuity, and the need for new skills and experience on the Board as our business and external conditions evolve
- in conjunction with the above:
    - the CGC&N Committee reviews and uses our director skills matrix to develop a list of potential candidates for nomination or appointment to the Board in the future based on their skills and experience
    - the list of potential Board directors is comprised of people the CGC&N Committee believes would: be appropriate to join the Board when there is a vacancy; fill gaps in, or complement, the current skills matrix; and comply with our independence criteria for the Board and its committees
    - the CGC&N Committee may also hire a search firm to identify potential candidates
- in the normal course, Board chair succession will be dealt with through a formal process that will reflect relevant considerations at that point in time. The process may be managed by the CGC&N Committee or the Board may form a special committee that would not include any directors that have an interest in being considered for the role of Board chair

- in the event of an unplanned (emergency) succession requirement for the Board chair, the chair of the CGC&N Committee shall be deemed acting chair until the next meeting of the Board at which time the Board shall ratify and confirm the chair of the CGC&N Committee as acting Board chair until a replacement Board chair is appointed via the formal process described above
- in the event of an unplanned (emergency) succession requirement for any committee chair, the Board chair in consultation with the specific committee members will select a new chair

Shareholders elect directors at annual meetings; however, the Board may appoint additional directors between annual meetings to fill vacancies.

The succession plan is intended to address Board succession planning in the context of directors chairing and/or serving on the Board's standing committees, which do much of the detailed, substantive work of the Board and which work generally requires specific subject-matter expertise. The qualifications of compensation committee members, in particular, have come under increased critical focus in recent years. Therefore, the succession plan provides that:

- the chairs of the Board and the CGC&N Committee will establish and maintain a Board succession plan
- the chair of the Board establishes a development plan for each of our directors that feeds into the succession plan
- a subset of the skills matrix will be used for each standing committee of the Board in order to aid succession planning and director development
- committee chairs and memberships will be rotated as appropriate to facilitate director development, Board succession planning, institutional knowledge, continuity and renewal

Diversity – Board and executive officers

The objective of our Board's diversity policy is to maintain our competitive advantage by seeking talented and dedicated directors with a diverse mix of experience, skills and backgrounds, who collectively reflect (1) the strategic needs of our business and the nature of environment in which Capital Power operates, and (2) the skills and experience the Board requires as whole to be effective. When assessing Board composition or identifying suitable candidates for appointment or election to the Board, Capital Power will consider candidates using objective criteria having due regard to the benefits of diversity and the needs of the Board balanced appropriately. For the purposes of our policy, diversity includes, without limitation, business and industry experience, geography, gender, age, visible minorities, Aboriginal peoples, persons with disabilities, sexual orientation and other personal characteristics.

Pursuant to the board diversity policy, the CGC&N Committee is required to:

- consider the benefits of all aspects of diversity (including, but not limited to, skills, business and industry experience, geography, gender, age, visible minorities, aboriginal peoples, persons with disabilities, sexual orientation and other personal characteristics) when reviewing the composition of the Board
- consider candidates for nomination to the Board on merit against objective criteria with due regard for the benefits of diversity when identifying such candidates
- ensure that every search for new directors includes diverse candidates; at least 50% of the slate of director candidates presented to the CGC&N Committee in every search for new directors must be women
- give extra weight to qualified female candidates in final nomination decisions
- consider the balance of skills, experience, independence and knowledge of Capital Power on the Board, and the diversity of the Board, as part of the annual performance review of the Board, its committees, and our individual directors

The policy also sets out our goal of having women represent at least 30% of the members of our executive team. With respect to recruiting executive officers in the future, Capital Power would develop a list of criteria in terms of the desired skills and experience to be sought in the recruitment process and will recruit those candidates who best fulfill our needs. Our policy stipulates that women who meet the criteria are given extra weight in our process.

Effective as of the 2020 proxy season, CBCA distributing corporations must provide shareholders with enhanced disclosure regarding diversity of their directors and executive officers as to representation of aboriginal peoples, members of visible minorities and persons with disabilities (additional designated groups) in addition to disclosure around representation of women. In connection with the CBCA amendments, effective February 21, 2020, Capital Power amended our Board Diversity Policy to specify consideration of the additional designated groups in our approach to diversity as contemplated above.

Other than as indicated above, the Board has not adopted additional diversity goals regarding the representation of designated groups on the Board or for executive officers. We believe our ability to execute our strategy and maximize shareholder value can only be achieved by bringing together talented people from diverse backgrounds. In light of the needs of the board and the executive team, we also believe that promotion of diversity within our leadership ranks is best served through careful consideration of the knowledge, experience, skills and background of each individual candidate.

Our Board Diversity Policy has been integrated with other board processes, including board assessment, and succession planning. The CGC&N Committee will review the policy and assess its effectiveness in promoting a diverse Board and executive team on an annual basis.

Capital Power currently has four directors who are women and who represent over 44% of our director nominees, and two executive officers who are women and who represent one third of our executive officers. In addition, one of our directors has self-identified as a visible minority. No other director or executive officer has self-identified as belonging to an additional designated group.

SHAREHOLDER ENGAGEMENT

Maintaining a dialogue with shareholders is important, especially on topics like governance and compensation practices.

Shareholders can attend the annual meeting and pose questions to management. They can also learn more about Capital Power through the following:

- webcasts of our quarterly earnings conference calls with research analysts
- webcasts of our annual investor day for analysts and institutional investors with presentations by our executives
- executive presentations at institutional and industry conferences
- investor road shows in Canada and the United States throughout the year

We also receive feedback through:

- analyst and institutional shareholder participation in perception studies that are administered by a third party
- our advisory vote on our approach to executive compensation
- a dedicated address for email inquiries and a toll-free investor phone line
- a confidential ethics hotline and website for shareholders and the public to report a concern

In addition, the Board has adopted a shareholder engagement policy (engagement policy). The engagement policy prescribes governance topics for discussion between the Board and shareholders, information sought by the Board from the shareholder for the purpose of arranging a meeting, guidelines regarding meeting attendance, and a means for shareholders to contact the Board to request a meeting. The engagement policy also provides information for shareholders about contacting management.

In September 2019, Donald Lowry, our chair, and Jill Gardiner, the chair of the CGC&N Committee and Katharine Stevenson, the chair of the Audit Committee, met with a number of Capital Power's largest institutional shareholders to hear their feedback regarding our governance, ESG, and compensation practices. The intent is to continue to regularly meet with shareholders going forward.

Shareholders who are interested in directly engaging with the Board regarding those topics specified in the engagement policy are encouraged to review the engagement policy, which can be found on our website (www.capitalpower.com), and to contact the Board at:

Board Office
Capital Power Corporation
1200, 10423 – 101 Street NW
Edmonton, AB T5H 0E9
Email: board@capitalpower.com

SHAREHOLDER PROPOSALS

If you want to send a shareholder proposal for inclusion in the circular and proxy form for our 2021 annual meeting of shareholders, we must receive it by December 27, 2020, as required under the *Canada Business Corporations Act*, the corporate statute that governs Capital Power. We expect our 2021 annual meeting of shareholders to be held on or about April 30, 2021. Please send your proposal to the Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 – 101 Street, Edmonton, Alberta, Canada, T5H 0E9.

Board committees

The Board has three standing committees:

- Audit
- Corporate Governance, Compensation and Nominating (CGC&N)
- Health, Safety and Environment (HSE)

The Board can also establish ad hoc committees as appropriate. In July 2019, the Corporation announced that President and CEO, Brian Vaasjo, had informed the Board of his intention to retire in 2020. As a result of the announcement, the Board established an ad hoc CEO Search Committee (comprised of Doyle Beneby (chair), Jill Gardiner, Kelly Huntington, and Don Lowry) and engaged an executive search firm to support a comprehensive search process to identify the next CEO. The Board's search for a new President and CEO was conducted through the remainder of 2019 and into early 2020, with the intention that the Board would announce a successor in due course. On February 24, 2020, the Corporation announced that Brian Vaasjo will remain as President and CEO for a period of three years.

The CGC&N Committee reviews the composition of each committee at least once every calendar year. It looks at director independence, director qualifications and individual skills and experience when it constitutes each committee, ensuring that each one has the necessary expertise to provide effective oversight and carry out its responsibilities. Each committee has its own terms of reference, which it reviews and approves every year. These are posted on our website (www.capitalpower.com). You can find more information about each director in the director profiles beginning on page 13.

AUDIT COMMITTEE

You can find more information about this committee in our 2019 AIF and the terms of reference for the committee in Appendix A to our 2019 AIF which is posted on our website (www.capitalpower.com) and on SEDAR (www.sedar.com).

Members	Katharine Stevenson (chair) Doyle Beneby, Jill Gardiner, Robert Phillips, Keith Trent Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members are financially literate as defined by Canadian securities laws and regulations: • Katharine Stevenson has senior financial executive and investment banking experience, is a member of other public company audit committees, has previously chaired audit committees, and has the ICD.D designation • Doyle Beneby is a CEO, has other senior executive experience and also has an MBA • Jill Gardiner has investment banking experience, is a member of another public company audit committee, has other previous audit committee experience (including as chair), has been a lecturer in corporate finance at the University of Victoria and has an MBA • Robert Phillips acquired significant experience and exposure to accounting and financial reporting issues as the current President of R.L. Phillips Investments Inc., a private investment firm, and as a former CEO, has other previous audit committee experience, has the ICD.D designation, and is a fellow and director of the Institute of Corporate Directors and Chair of its Audit Committee • Keith Trent has senior executive experience, has current and previous audit committee experience, and has profit/loss accountability and Sarbanes-Oxley process experience
Key responsibilities	The committee provides assistance to the Board in fulfilling its oversight responsibility to shareholders of Capital Power, the investment community and others in relation to the integrity of Capital Power's financial statements, financial reporting processes, systems of internal accounting and financial controls, the risk identification assessment conducted by management (including fraud risk assessment) and the programs established by management and the Board in response to such assessment, the internal audit function and the external auditors' qualifications, independence, performance and reports to Capital Power. In addition, the committee monitors, evaluates, advises or makes recommendations on matters affecting the financial and operational control policies and practices relating to Capital Power, including the external, internal or special audits thereof. Finally, the committee monitors, evaluates, advises or makes recommendations, in accordance with these terms of reference and any other directions of the Board, on matters related to liquidity, the raising of capital and capital allocation. The committee's terms of reference are available on our website (www.capitalpower.com).

Key activities and priorities in 2019	• reviewed our public disclosure documents for the year ended December 31, 2018 (annual report, audited financial statements, MD&A, AIF, quarterly financial statements and MD&A and press releases regarding our annual and quarterly financial results) and recommended them to the Board for approval • monitored the external auditors (approved the audit plan, scope, and engagement letters and recommended the budget), reviewed the interim and year-end audit reports, and recommended the external auditors to the Board for recommendation to our shareholders • conducted a comprehensive assessment of the external auditors • monitored the internal auditors (approved the audit plan and reviewed the quarterly and annual audit status reports and quarterly commodity risk reports) • monitored risk management and internal controls (reviewed interim and annual certification of filings under CSOX, procedures for accounting and auditing complaints, quarterly litigation and ethics reports, management compliance certificates, fraud risk assessment, tax compliance and exposures, corporate insurance program, significant accounting estimates, and reviewed GAAP and securities updates) • monitored commodity portfolio management activities (reviewed quarterly commodity risk reports, and Alberta commercial portfolio variance reports), reviewed risk capital allocation across credit, commodity and operational risk, and approved commodity risk tolerance factors • recommended a normal course issuer bid to the Board, and monitored our strategy regarding share buy-backs pursuant to our normal course issuer bid • reviewed and recommended our short form base shelf prospectus and prospectus supplement • reviewed and recommended our public and private offerings including medium term notes, senior notes, subscription receipts and preferred shares • reviewed our financial exposure management, including investment, banking and treasury risk, credit ratings, corporate liquidity, and interest rate and foreign exchange risks • reviewed and recommended amendments to our financial exposure management policy • reviewed and recommended amendments to our commodity risk management policy and commodity risk limits • reviewed and recommended amendments to our credit policy and procedures, and received quarterly credit reports regarding major credit risk exposures and counter-parties • reviewed and recommended amendments to our enterprise risk management policy • reviewed our ethics policy and its investigation procedures • reviewed and recommended amendments to our disclosure and insider trading policy • reviewed and recommended amendments to the committee's terms of reference • reviewed the committee's effectiveness • recommended our common share dividend increase to the Board for approval • reviewed our IT security and industrial controls security • reviewed tax equity investments in the US • reviewed post-implementation reviews of acquisitions and major projects in accordance with the investment policy

Pre-approval policies and procedures

The committee must pre-approve any non-audit services to be provided by the external auditors. If, because of time constraints, the committee is unable to give pre-approval, the committee chair has authority to pre-approve additional services up to $100,000 per service and a maximum of $250,000 per year, as long as they report them at the next committee meeting for ratification.

In 2019, the Chair of the Audit Committee did not pre-approve any non-audit services. In 2019, the committee pre-approved non-audit related services in an amount not to exceed $50,000 with respect to cross border financing structures.

The committee met four times in 2019 and met without management present at every meeting. The committee also met with the external auditor and with the internal auditor without management present at every meeting.

CORPORATE GOVERNANCE, COMPENSATION AND NOMINATING (CGC&N) COMMITTEE

Members	Jill Gardiner (chair) Doyle Beneby, Kelly Huntington, Jane Peverett, Katharine Stevenson Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members have expertise in governance and human resources management: • Jill Gardiner has previous board chair experience, committee chair experience, public and private company governance and compensation committee experience, has taught courses in human resource management at the University of Victoria, and has an MBA • Doyle Beneby has senior executive and CEO experience of private, public and municipal energy companies, and currently serves on two public company compensation committees • Kelly Huntington has executive experience at multiple companies with responsibility and/or support for executive compensation design, implementation and review, and has experience as a director of non-profit organizations as a member or chair of the committee with responsibility for compensation • Jane Peverett has previous board chair experience including compensation and governance committee experience, was past chair of a public company governance committee, and has the ICD.D designation • Katharine Stevenson has public company board experience, including compensation and governance committee experience, is the current chair of a public company governance committee, and has the ICD.D designation
Key responsibilities	The purpose of the committee is to: • review and recommend to the Board the establishment and maintenance of appropriate structures, processes and policies required within Capital Power to address governance issues and maintain compliance with recognized corporate governance guidelines • make recommendations regarding the Board's effectiveness and to identify and recommend individuals to the Board for nomination as Board members and review matters related to director succession • review and determine matters affecting personnel and compensation • review and determine key compensation and human resources policies, so that such policies foster programs that consider current market practice and provide total compensation which is competitive • develop and execute on a CEO succession strategy; review the plan at least annually, and when required, lead the process to identify a candidate for appointment to the position of CEO • review management's recommendations and policies regarding succession planning (including crisis management) for executives of Capital Power • review workplace culture and diversity and inclusion within Capital Power The committee's terms of reference are available on our website (www.capitalpower.com).
Key activities and priorities in 2019	*Board composition, development and compensation* • reviewed and updated our director skills matrix and committee structure and membership • reviewed the Board Succession Plan, and reviewed CEO and executive succession planning • recommended the formation and membership of an ad hoc CEO Search Committee to the Board • worked with the ad hoc CEO Search Committee on the process to identify a candidate for appointment to the position of CEO • recommended our director nominees to the Board for our 2019 annual meeting of shareholders • reviewed and recommended to the Board the record and annual meeting dates for our 2020 annual meeting of shareholders • undertook a search for, and recruited two new director candidates in response to retirements from the Board • reviewed our director compensation • reviewed and recommended for Board approval changes to the share ownership guidelines with respect to the directors • reviewed and recommended for Board approval the terms for the CEO's retirement *Corporate governance* • reviewed and recommended for Board approval our governance and compensation disclosure in the AIF for the year ended December 31, 2018 and the circular in connection with our 2019 annual meeting of shareholders (2019 circular) • reviewed and recommended the Board recommend our Amended and Restated Shareholder Rights Plan to our shareholders for approval at the 2019 annual meeting • reviewed and recommended to the Board changes to our Board Shareholder Engagement Policy

Key activities and priorities in 2019, continued	• reviewed terms of reference of the Board, all committees, the chair, individual directors and CEO and recommended changes where applicable • reviewed our Board evaluation process and assessed director, Board and committee performance • reviewed our corporate governance practices and our disclosure of those practices • reviewed recent governance/disclosure-related changes to the *Canada Business Corporations Act* • kept abreast of developments in corporate governance trends and practices *Compensation and benefits* • reviewed and recommended for Board approval the CEO's 2020 annual objectives • reviewed and recommended for Board approval the CEO's and executives' base salaries, short-term incentive awards, long-term incentive grants, and 2020 performance measures for the short-term incentive plan • reviewed our compensation policies and practices, including management's key messages for compensation disclosure and risk management • reviewed our compensation programs to ensure the design of the programs consider current market best practices • reviewed and approved management's recommendations for base salary adjustments, short-term incentive plan awards (including merchant short-term incentive plan awards) and long term incentive grants to non-executives, and our 2020 performance measures for the short-term incentive plan • reviewed our compensation principles, which we use to guide the development and execution of our compensation programs • reviewed certain adjustments relating to merchant value creation in the merchant short-term incentive plan • reviewed the executive compensation peer group effective for the 2020 compensation review • reviewed the performance peer group for performance share units • reviewed and recommended for Board approval changes to the long-term incentive mix with respect to the CEO, other named executive officers and non-executive management employees, the design of the executive restricted share units and the change to the total shareholder return measurement method for performance share units for the CEO, other named executive officers and non-executive management employees • received an update on workplace culture • received an update on our diversity and inclusion initiatives • reviewed the governance of our pension and other benefit plans and the executive compensation program • reviewed retirement terms for the CEO and recommended to the Board for approval, enhanced provisions for LTIP post-retirement in exchange for a 1-year post-retirement hold period • reviewed and approved changes to the post-retirement holding period and severance terms for the CEO position, on a prospective basis

Independent compensation consultant

The committee has an independent compensation consultant policy that sets out guidelines for the relationship between the committee, management and the independent consultant. The policy is available on our website (wwww.capitalpower.com).

The committee retains an independent consultant (Meridian Compensation Partners) for executive compensation matters because it recognizes the importance of receiving third party advice which is independent from management. This helps ensure that the committee's decisions and recommendations are appropriate for Capital Power and are consistent with market and good governance practices.

The consultant is responsible to the committee and must keep all matters confidential. It must also advise the committee chair of any potential conflicts of interest. The committee's consultant has never undertaken any work for management. See page 47 for details about their services and fees.

Willis Towers Watson is management's consultant and provides management with consulting advice and administrative support on compensation, pensions and benefit matters.

The committee met three times in 2019 and met without management present at every meeting.

HEALTH, SAFETY AND ENVIRONMENT (HSE) COMMITTEE

Members	Keith Trent (chair) Kelly Huntington, Jane Peverett, Robert Phillips Donald Lowry (ex-officio, non-voting member)
Independent	100%
Qualifications	All members are knowledgeable about our HSE programs and policies. They are also skilled or experts in sustainable business practices, including HSE and social responsibility, and have other expertise relevant to the committee mandate. • Keith Trent has extensive senior executive operational and HSE experience and extensive in-house legal experience with a major US energy company • Kelly Huntington is a former CEO and CFO of a power company, and has other leadership experience in the power industry • Jane Peverett is a former CEO and CFO in the power and energy infrastructure business and serves on a number of other boards • Robert Phillips is a former CEO, has corporate law experience and has senior executive experience with energy related companies
Key responsibilities	The committee oversees matters relating to the impact of our operations on the environment and on the workplace health and safety of employees, including: • reviewing our strategies, goals and policies for the three areas and revising them as appropriate • conducting due diligence • monitoring our performance in these areas • reviewing and recommending operational short and long term key performance metrics • providing insight and guidance to the Board regarding extraordinary material operational events The committee's terms of reference are available on our website (www.capitalpower.com).
Key activities and priorities in 2019	• reviewed our overall performance in HSE, including our HSE policy, training, compliance and trends • reviewed risk management and audit activities related to this area • reviewed our annual disclosure on HSE, which was recommended to the Board for approval • monitored and reported to the Board on current, pending or threatened material legal or regulatory actions by or against Capital Power • monitored changes and proposed changes to environmental laws and regulations • monitored our progress with implementing a world class safety program • reviewed our HSE objectives and performance indicators and other key performance metrics related to our short-term incentive plan, long-term business plan and operations, and recommended the same to the Board and CGC&N Committee, as applicable • reviewed the committee's terms of reference • received updates regarding our plant operations • received a report regarding crisis management plans/processes • received a report on our integrity of our industrial control systems

The committee met three times in 2019 and met without management present at every meeting.

3. Compensation

Director compensation

Compensation discussion and analysis

APPROACH TO COMPENSATION

Our director 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, director compensation paid by the comparator group of companies which is the same as is used to assess executive compensation, and the importance of share ownership to align the interests of directors and shareholders.

Brian Vaasjo does not receive any director compensation because he is an employee of Capital Power and is compensated in his role as President & CEO.

Share ownership
The Board believes in aligning the interests of directors and shareholders. The CGC&N Committee instituted share ownership guidelines in 2009, requiring directors to hold at least three times the total value of their annual cash and equity retainer in common shares and deferred share units (DSUs). The value of ownership is calculated at the higher of cost of acquisition or market price as of the date of the circular. Directors must meet the requirement within five years of the date they were appointed or elected to the Board or within five years after a material change to their compensation.

As of March 4, 2020, five of the directors met the requirements (see page 39). Those directors who have yet to meet our share ownership requirement are still within the five-year period as set out in the guidelines.

See the director profiles beginning on page 13 for the details of their individual holdings.

DECISION-MAKING PROCESS

In 2018, the CGC&N Committee undertook a review of director compensation, including an assessment of our director and executive compensation peer group selection criteria as well as the alignment of the current peer group with the criteria. Director compensation is benchmarked against the same comparator group that is used for benchmarking executive compensation, which can be found on page 44.

ELEMENTS OF COMPENSATION

Director compensation includes annual cash and equity retainers, committee chair and membership retainers and a modest travel allowance if a director cannot travel to and from a Board or committee meeting within the same day. The annual equity retainer is paid in deferred share units (DSUs) to promote equity ownership and align the interests of directors and shareholders.

The table below shows our director fee schedule for 2019.

Compensation element	Payee	Amount
Annual cash retainer(1)	Board chair	$165,000/yr
	All other independent directors	$80,000/yr
Equity retainer(2)	Board chair	$165,000/yr
	All other independent directors	$80,000/yr
Committee chair retainer	Audit	$20,000/yr
	CGC&N	$20,000/yr
	HSE	$15,000/yr
Committee member retainer(3)	Audit	$6,000/yr
	CGC&N	$6,000/yr
	HSE	$4,000/yr
Travel allowance(4)	Independent directors, as applicable	$500(5)

Notes

(1) If the number of board meetings exceeds 12 per year, the Board reserves the right to consider adding meeting fees in the amount of $1,500 per additional meeting (attendance fees).
(2) All directors are subject to share ownership guidelines of 3x the total cash and equity retainer to be achieved by the end of 5 years after the date of their appointment or within 5 years of a material change to their compensation.
(3) The Board reserves the right to consider meeting fees for any ad hoc special committees established.
(4) Directors are entitled to be reimbursed for all reasonable travel expenses directly and necessarily incurred in connection with service on Capital Power's Board. When a director's travel serves multiple purposes (including non-Capital Power ones), Capital Power will contribute an amount that is no greater than that which would have been reasonably required to travel directly to and from the Capital Power business.

(5) Should a director be required to travel from their place of residence the day before a Board or committee meeting, or should a member have to travel back to their residence the day following a meeting, then a travel allowance fee is allocated.
(6) US resident directors are paid the amounts listed above in US dollars (for example, US resident directors receive an annual retainer of US $80,000 per year and an annual equity retainer of US $80,000 per year). This change was made, effective January 2015, to provide consistent compensation to US resident directors in their home country currency, regardless of the Canadian and US dollar exchange rate.
(7) Directors may elect to receive all or a portion of their annual retainer, committee chair retainer or committee retainer in DSUs, in accordance with our DSU plan.

DSU plan

DSUs are credited to directors as notional units which have the same downside risk and upside opportunity as common shares but do not have a dilutive effect. We calculate the number of DSUs to be granted by dividing the amount of the retainer by the volume-weighted average closing price of our common shares on the TSX for the five trading days immediately preceding the grant date. Using a five-day volume-weighted average is common practice among Canadian public companies and may be a better indication of share price at the time than using the share price from a single day.

DSUs vest immediately and cannot be redeemed until a director leaves the Board. DSUs earn dividend equivalents as additional whole or partial notional units at the same rate as dividends paid on our common shares.

DSUs are redeemed for cash. The plan provides that cash payments for redeemed DSUs shall be calculated using the volume-weighted average closing price of our common shares on the TSX for the five trading days immediately before the date that is six months after a director leaves the Board. We can amend the plan at any time as long as a change does not adversely affect the rights of directors to receive DSUs or any previously granted DSUs without their consent, unless the change is required by law.

In addition to the annual equity retainer, directors can elect to receive all or a portion of the annual cash retainer, committee chair retainer and/or committee member retainer in DSUs. Retainers are paid quarterly.

2019 details

DIRECTOR COMPENSATION TABLE

The table below shows the type of compensation directors earned in 2019.

It does not include Brian Vaasjo as he does not receive director compensation because he is an employee of Capital Power and is compensated in his role as President & CEO.

Doyle Beneby, Kelly Huntington, and Keith Trent received their compensation in US dollars, however their amounts stated in the table below are in Canadian dollars.

Name	Fees earned ($)	Share-based awards ($)	Option-based awards ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total compensation ($)
Albrecht Bellstedt	30,000	20,667	–	–	–	1,000	51,667
Doyle Beneby	125,513	105,678	–	–	–	2,646	233,837
Jill Gardiner	106,000	80,000	–	–	–	2,500	188,500
Kelly Huntington	118,888	105,678	–	–	–	3,297	227,863
Philip Lachambre	35,333	26,667	–	–	–	–	62,000
Donald Lowry	165,000	165,000	–	–	–	1,000	331,000
Jane Peverett	73,333	66,667	–	–	–	1,500	141,500
Robert Phillips	60,000	53,333	–	–	–	2,000	115,333
Katharine Stevenson	101,333	80,000	–	–	–	2,500	183,833
Keith Trent	128,549	105,678	–	–	–	3,297	237,524

Notes

- The Board established an ad hoc CEO Search Committee in July 2019 (comprised of Doyle Beneby (chair), Jill Gardiner, Kelly Huntington, and Don Lowry). The ad hoc committee met informally several times between July 2019 and December 2019, however no additional compensation was paid to committee members in 2019.
- Albrecht Bellstedt and Philip Lachambre did not stand for re-election at the April 26, 2019 shareholders meeting. Their compensation was pro-rated to that date.
- Jane Peverett was appointed to the Board on March 1, 2019. Her compensation was pro-rated to that date.
- Robert Phillips was elected to the Board on April 26, 2019. His compensation was pro-rated to that date.
- Some directors received their compensation in US dollars. This change was made, effective January 2015, to provide consistent compensation to US resident directors in their home country currency, regardless of the Canadian and US dollar exchange rate:
  - Doyle Beneby earned fees totalling US $95,000, share-based awards totalling US $80,000, and other compensation totalling US $2,500.
  - Kelly Huntington earned fees totalling US $90,000, share-based awards totalling US $80,000, and other compensation totalling US $2,500.
  - Keith Trent earned fees totalling US $97,333, share-based awards totalling US $80,000, and other compensation totalling US $2,500.

Fees earned

Represents the aggregate amount of directors' annual cash retainer, committee chair retainer and committee member retainers. Directors can elect to receive all or a portion of the annual cash retainer, committee chair retainer and committee member retainers in DSUs. See the table on the next page for a breakdown of the total fees earned.

Share-based awards

Represents the annual equity retainer paid in DSUs. The number of DSUs granted will be determined by dividing the amount of the retainer paid in DSUs by the volume-weighted average closing price for our common shares on the TSX for each of the five trading days immediately preceding the grant date.

All other compensation

Represents the travel allowance and attendance fees, if applicable, paid to directors, which are only paid in cash.

BREAKDOWN OF FEES EARNED

The table below shows the breakdown of fees earned by directors in 2019. Five directors served as committee chairs and received a retainer for that role:

- Jill Gardiner (CGC&N Committee)
- Philip Lachambre and Katharine Stevenson (Audit Committee) (part year service for each)
- Doyle Beneby and Keith Trent (HSE Committee) (part year service for each)

Doyle Beneby, Kelly Huntington, and Keith Trent received their compensation in US dollars, but their amounts stated in the table below are in Canadian dollars.

Directors can elect to receive all or a portion of the annual cash retainer, committee chair retainer and committee member retainers in DSUs. Attendance fees are only paid in cash.

Name	Total fees earned ($)	Annual director retainer ($)	Annual committee chair retainer ($)	Committee member retainer ($)	% of annual retainer earned paid in cash	% of annual retainer earned paid in DSUs
Albrecht Bellstedt	30,000	26,667	–	3,333	100%	0%
Doyle Beneby	125,513	105,678	6,640	13,196	100%	0%
Jill Gardiner	106,000	80,000	20,000	6,000	75%	25%
Kelly Huntington	118,888	105,678	–	13,210	100%	0%
Philip Lachambre	35,333	26,667	6,667	2,000	100%	0%
Donald Lowry	165,000	165,000	–	–	100%	0%
Jane Peverett	73,333	66,667	–	6,667	100%	0%
Robert Phillips	60,000	53,333	–	6,667	0%	100%
Katharine Stevenson	101,333	80,000	13,333	8,000	0%	100%
Keith Trent	128,549	105,678	13,175	9,696	0%	100%

Notes

- Committee member retainers: Audit $6,000/yr; CGC&N $6,000/yr; HSE $4,000/yr.
- Compensation was pro-rated for some directors:
  - Albrecht Bellstedt and Philip Lachambre did not stand for re-election at the April 26, 2019 shareholders meeting. Their compensation was pro-rated to that date.
  - Jane Peverett was appointed to the Board on March 1, 2019. Her compensation was pro-rated to that date.
  - Robert Phillips was elected to the Board on April 26, 2019. His compensation was pro-rated to that date.
  - Committee assignments changed as of April 26, 2019. Committee chair and member retainers have been pro-rated to that date.
  - Katharine Stevenson became Chair of the Audit Committee April 26, 2019.
  - Keith Trent became Chair of the HSE Committee April 26, 2019.
- Some directors received their compensation in US dollars. This change was made, effective January 2015, to provide consistent compensation to US resident directors in their home country currency, regardless of the Canadian and US dollar exchange rate:
  - Doyle Beneby earned fees totalling US$95,000, comprised of US$80,000 (annual director retainer), US$5,000 (annual committee chair retainer), US$10,000 (audit and CGC&N committee member retainers).
  - Kelly Huntington earned fees totalling US$90,000, comprised of US$80,000 (annual director retainer), and US$10,000 (audit, CGC&N and HSE committee member retainers).
  - Keith Trent earned fees totalling US$97,333, comprised of US$80,000 (annual director retainer), US$10,000 (annual committee chair retainer), US$7,333 (Audit, CGC&N and HSE committee member retainers).
- No attendance fees were paid in 2019.

SHARE OWNERSHIP

The following table shows the common shares and DSUs each director nominee held as at March 4, 2020, and includes reinvested dividends. The value of common shares and DSUs reflects the higher of cost of acquisition or market price as of the date of the circular. Directors must meet the share ownership requirement within the later of five years of being appointed or within five years after a material change to their compensation.

Equity ownership of directors

As at March 4, 2020

Name	Ownership requirement ($)	Total common shares and DSUs (#)	Value ($)	As a % of ownership requirement (%)	Meets ownership requirement	Deadline to meet ownership requirement
Donald Lowry	990,000	55,797	2,082,897	210	yes	January 1, 2023
Doyle Beneby	642,816	39,128	1,460,643	227	yes	January 1, 2023
Jill Gardiner	480,000	27,287	1,018,626	212	yes	January 1, 2023
Kelly Huntington	642,816	22,511	840,319	131	yes	January 1, 2023
Jane Peverett	480,000	2,125	79,334	17	in progress	March 1, 2024
Robert Phillips	480,000	4,023	150,194	31	in progress	April 27, 2024
Katharine Stevenson	480,000	19,478	727,108	151	yes	January 1, 2023
Keith Trent	642,816	14,048	524,415	82	in progress	January 1, 2023

Notes

- As of the date of the circular, the closing price for our common shares on the TSX was $37.33.
- All directors are subject to share ownership guidelines of 3x the annual cash and equity retainer (excluding committee and chair retainers) to be achieved by the end of 5 years after the date of their appointment or within 5 years of a material change to their compensation. Effective January 1, 2018, our director fee schedule was increased thereby resetting the deadline to meet the ownership requirement for directors at that time to January 1, 2023.
- Jane Peverett's appointment to the Board was effective as of March 1, 2019.
- Robert Phillips' election to the Board was effective April 26, 2019.
- As of March 4, 2020, Brian Vaasjo held 144,504 common shares with a value of $5,394,334 based on the TSX closing price for our common shares of $37.33 on March 4, 2020. Mr. Vaasjo's share ownership requirement as CEO is calculated as of December 31, 2019 and can be found on page 45

Share-based awards

The following table sets out information regarding DSUs outstanding as at December 31, 2019:

	Share-based awards (DSUs)			
Name	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)	Number of shares or units of shares that have vested (#)	Market value or payout value of vested share-based awards not paid out or distributed ($)
Donald Lowry	0	0	43,649	1,501,093
Doyle Beneby	0	0	38,385	1,320,047
Jill Gardiner	0	0	18,404	632,922
Kelly Huntington	0	0	21,767	748,578
Jane Peverett	0	0	1,569	53,948
Robert Phillips	0	0	1,841	63,308
Katharine Stevenson	0	0	14,184	487,789
Keith Trent	0	0	13,305	457,553

Notes

- Directors do not receive stock options.
- DSUs vest in full when credited to directors.
- Number of shares or units of shares that have vested includes reinvested dividends.
- Market value or payout value of vested share-based awards not paid out or distributed is based on $34.39, the closing price of our common shares on the TSX on December 31, 2019.

Executive compensation

Letter to shareholders

March 4, 2020

Dear Fellow Shareholders,

On behalf of the Board, and the CGC&N Committee, I am pleased to share with you Capital Power's compensation discussion and analysis (CD&A). Your Board and the CGC&N Committee continue to keep abreast of executive compensation trends and best practices to ensure our approach to executive compensation supports our strategy, aligns with the interests of our shareholders and provides a competitive compensation program that motivates and retains talent for long-term sustainability and growth. Through our comprehensive approach, we strive to deliver compensation plans that are clear, logical and understandable to our employees, shareholders and other stakeholders, and we are committed to providing clarity and transparency in alignment with our corporate vision and values. Attracting and retaining the right talent is key to energizing the Capital Power brand and in driving us forward. Our company values are the values of our people. Together, we are focused on the future.

Capital Power's strategic priority is to provide shareholders with a strong long-term total return by effectively managing our existing operations and growing our asset portfolio. This includes managing risks through contracted cash flows and upside to the Alberta market. Our market competitive compensation programs are aligned with these strategies with a strong pay-for-performance orientation that supports the attraction, retention and motivation of employees. An engaged and high performing workforce is critical for us to successfully execute our strategy and drive long-term shareholder value. Through our ongoing commitment to our people, we will maintain a safe, healthy and responsible corporate culture and workplace that enables employees to do their best work. We strive to be the employer of choice in the markets in which we compete for talent.

Committee oversight
Over the past eight years, the Board has held an annual 'say on pay' advisory vote to receive direct feedback from shareholders on Capital Power's executive compensation. We are pleased that shareholder support to date has been very strong with approval in the range of 91% to 99% in each of these years.

The Committee considers and monitors compensation risk in every compensation decision or recommendation to ensure that our programs continue to support the right level of risk-taking throughout the organization and remain aligned with our shareholders' interests. During the year, management engaged Willis Towers Watson to complete a compensation program risk assessment and, the Committee agreed that risks arising from compensation programs were minimal and not likely to have a material adverse effect on the organization.

Other Committee work in 2019 included:

- reviewed our overall compensation philosophy and principles, with no changes being made;
- assessed our executive compensation peer group selection criteria as well as the alignment of the current peer group with the criteria, with no changes being made;
- assessed the performance peer group selection criteria and reviewed the current peer group for continued alignment with the underlying selection criteria, with no changes being made;
- completed our annual regular review of the market competitiveness of Capital Power's executive compensation to ensure prudent management and ongoing alignment with our compensation philosophy and business objectives, including positioning our compensation levels within a competitive range of median;
- reviewed and recommended changes to the long-term incentive mix, changes to the total shareholder return measurement method for performance share units for all eligible employees, and the addition of restricted share units to the LTIP mix for the CEO and other named executive officers, all effective for the 2020 grant;
- reviewed retirement terms for the CEO and approved enhanced provisions for LTIP post-retirement in exchange for a 1-year post-retirement hold period. Also, approved a reduction to the severance cap for the CEO position on a prospective basis;
- reviewed the CEO, executive team and critical role succession and development plans in place to develop and retain key talent, and to build our bench strength at all levels of the organization; and
- continued to monitor Capital Power's diversity and inclusion efforts and the roadmap for developing our workforce over time.

2019 performance (see page 56)
Capital Power delivered a total shareholder return (TSR) of 31.2% in 2019, between the 25th and 50th percentile of our performance peer group and a 3-year TSR of 78.2%, which was above the 75th percentile.

We measure performance through several financial and non-financial targets that align with Capital Power's long-term corporate strategy. Corporate measures used to assess performance for incentive purposes include funds from operations (FFO), health, safety and environment (HSE) and an annual strategic objective (in 2019, it was a committed capital objective). Each named executive officer has additional individual business objectives related to their role that may include, among others, operational performance, asset optimization activities, disciplined growth targets, retention and succession planning. Overall, the Board assessed corporate performance as exceeding expectations:

- We generated $594 million of FFO which was significantly above target.
- We achieved above target results for HSE performance.
- We significantly exceeded our committed capital growth target with the acquisition of the Goreway Power Station.

As a Committee, we have the discretion to adjust incentive payouts to ensure that compensation outcomes align with performance and reflect the risks undertaken to achieve results. No adjustments were made for 2019 performance.

2019 compensation highlights

Based on our annual performance, as outlined above, awards were made under the 2019 STIP for the named executive officers. Overall, the total performance result and resulting payout factor for executives was above target.

Over the three-year performance period from 2017 to 2019, Capital Power's relative TSR performance significantly exceeded the 75th percentile of our performance peer group. This resulted in a final payout multiplier for our 2017 performance share units of 157% (of target) and a total payout of 259% of their original grant value.

Going forward, to ensure alignment of executive compensation with our executive compensation comparator group, adjustments to base salary, STIP and LTIP target payouts are being put in place for 2020 for some executives.

Looking ahead

The Board is pleased that management continues to execute on our strategy to deliver long-term shareholder value as demonstrated by our solid 3-year TSR performance and expected future growth in adjusted funds from operations and dividends. Capital Power's executive compensation programs are aligned with our business strategy and its associated risks. The Committee's decision to recalibrate the design and mix of the LTIP beginning with the 2020 grant (RSUs for named executives and single tranche measurement for PSUs, which will also receive greater weighting in the LTI mix) signals the importance we place on maintaining alignment with market practice and underpins our ability to attract, retain, motivate and reward all employees to deliver long term shareholder value.

This committee is experienced, knowledgeable and diligent, and we are working hard to do what is right for Capital Power and its shareholders to support future growth and to benefit all stakeholders.

You can contact the committee or the Board through the Corporate Secretary, Capital Power Corporation,12th floor, 10423 – 101 Street, Edmonton, Alberta T5H 0E9, or via e-mail at Board@capitalpower.com.

Sincerely,

Jill Gardiner
Chair, Corporate Governance, Compensation and Nominating (CGC&N) Committee

Doyle Beneby	Kelly Huntington	Jane Peverett	Kate Stevenson

COMPENSATION PRACTICES

The following table summarizes our compensation governance practices which are reviewed regularly for continued alignment with market and best practices.

✓ What We Do	✗ What We Don't Do
Compensation Design ✓ Provide the majority of our compensation in variable pay which is at-risk and performance oriented ✓ Link the majority of our variable pay to long-term performance ✓ Align our compensation programs with our business strategy ✓ Cap payouts from our incentive plans ✓ Apply a minimum (or floor) of 15% of the grant price when granting stock options ✓ Apply discretion to address extenuating circumstances ✓ Claw-back awards from executives if we are required to restate our financial and other results ✓ Provide a defined contribution supplemental retirement plan to new executive hires ✓ Have an anti-hedging policy that prohibits insiders from engaging in any transaction in which they could benefit, directly or indirectly, if the value of any of our securities falls *Compensation Governance* ✓ Have a qualified and independent committee that uses an independent advisor ✓ Require executives to have a meaningful ownership stake in the company plus a post-employment hold for the CEO ✓ Allow executives to defer annual incentive payments into deferred share units for long-term alignment ✓ Have double trigger change-of-control provisions requiring both a change of control and termination of the executive for good reason ✓ Consider our risk profile when assessing compensation designs and outcomes ✓ Review our historical pay outcomes for our President & CEO relative to our performance ✓ Provide for an annual "say on pay" vote	✗ Re-price stock options or grant options at a discount ✗ Guarantee a minimum payment in our incentive plans, including our performance share units ✗ Encourage excessive risk-taking through our compensation plans ✗ Benchmark compensation against unreasonable or aspirational peer companies

Compensation discussion and analysis

The CD&A discusses executive compensation for 2019 for our five most highly compensated executives (our named executives):

- Brian Vaasjo, President & CEO
- Bryan DeNeve, Senior Vice President, Finance & CFO
- Mark Zimmerman, Senior Vice President, Corporate Development & Commercial Services
- Darcy Trufyn, Senior Vice President, Operations, Engineering & Construction
- B. Kathryn Chisholm, Q.C., Senior Vice President, Chief Legal and Sustainability Officer

In this CD&A, all references to *committee* mean the Board's CGC&N Committee, which has reviewed and approved the contents of this section.

APPROACH TO COMPENSATION

Philosophy and objectives

Our executive compensation is designed to pay for performance. We use direct and indirect compensation to create a total compensation package that is competitive with our peers.

Our program aims to achieve three key objectives:
- link compensation with our business strategy and objectives
- align total compensation with the interests of shareholders
- attract, retain and reward high performing employees

The committee sets our strategy for executive compensation. It focuses on short, medium and long-term performance goals and the need for executives to have an ownership stake in Capital Power so we achieve our business priorities and enhance our value for shareholders.

Compensation component			Key objectives: Attract and retain high performing talent	Key objectives: Link compensation to business strategy and objectives	Key objectives: Align compensation with interests of shareholders
Base salary		See pages 48, 56, 61 and 63	✓ Competitive base level of fixed compensation based on responsibilities, scope and market data ✓ Rewards experience, expertise, knowledge and scope of responsibilities		
Short term incentives	*Short term incentive plan (STIP)*	See pages 48, 54, 56 and 63		✓ Based on achievement of annual performance targets that support overall strategic direction ✓ Rewards achievement of annual corporate objectives and individual performance goals	
Long term incentives		See pages 48, 50, 54, 58, 59, 63, 65 and 66			✓ Equity-based compensation for sustaining mid- to long-term performance aligning interests of executives and shareholders ✓ Used to retain executives longer ✓ Rewards achievement of mid- to long-term performance results and growth in share price
	Performance share units (PSUs)	See pages 50, 59, 63, 65 and 66			
	Stock options	See pages 52, 59, 63, 65 and 66			
	Restricted share units (RSUs)	See page 50			

Staying competitive through benchmarking

We benchmark our executive compensation against a comparator group of companies that we compete with for executive talent. To develop this group, we used a set of criteria which includes comparably-sized companies (as determined by financial criteria such as revenue, total enterprise value and market capitalization) from the following industries:

- utility and related companies from across Canada (15 of 24), to align with the industry we operate in
- publicly-traded energy services and exploration and production companies from Alberta (5 of 24), to consider the commodity risk inherent in parts of our business, and
- general industry companies with headquarters in Edmonton (4 of 24), to reflect one of the primary markets we recruit talent from.

We review our comparator group against the criteria on an annual basis to ensure alignment. The list of peer companies is as follows:

Utilities in Canada	**Energy Services & E&P Companies in Alberta**	**General Industry Companies in Edmonton**
Algonquin Power & Utilities Corp.	ARC Resources Ltd.	ATB Financial Inc.
AltaGas Ltd.	Baytex Energy Corp.	AutoCanada Inc.
ATCO Ltd.	Enerplus Corporation	Canadian Western Bank
Boralex Inc.	Ensign Energy Services Inc.	Stantec Inc.
ENMAX Corp.	Precision Drilling Corporation	
EPCOR Utilities Inc.		
Gibson Energy Inc.		
Innergex Renewable Energy Inc.		
Inter Pipeline Fund		
Just Energy Group Inc.		
Keyera Corp.		
Northland Power Inc.		
Parkland Fuel Corporation		
Superior Plus Corp		
TransAlta Corporation		

The group of 24 companies is well balanced from various perspectives, including size, industry and region. The table below summarizes Capital Power's positioning against the peer group (all values are in millions of $).

	($ millions)		
Market	**Total revenue** (1)	**Total enterprise value** (2)	**Total assets**(1)
25th percentile	$1,239	$2,553	$3,711
50th percentile	$2,248	$5,377	$6,197
75th percentile	$3,698	$12,442	$11,260
Capital Power Corporation	**$1,249**	**$7,780**	**$7,660**
	25th percentile	**62nd percentile**	**61st percentile**

Notes

(1) Total revenue and total assets as of December 31, 2018, except for ATB Financial and Just Energy Group Inc. which are as of March 31, 2019, and Canadian Western Bank which is as of October 31, 2019.

(2) Total enterprise value reflects 3-month average ending December 31, 2019.

The committee and external consultants review the comparator group annually to ensure the criteria and composition remain relevant. The executive compensation comparator group above was used by the committee to assess and set compensation of our executives in 2019 and it was agreed by the Committee that this group remains relevant and appropriate for 2020.

We obtain market data from publicly available proxy circulars and third-party compensation surveys to compare executive base salaries and short and long-term incentive awards for positions that are similar in scope and responsibility.

Each compensation element, and overall total direct compensation, is targeted at the median of the comparator group. The resulting total direct compensation (base salary and short and long-term incentives) will produce above median compensation in the event of superior corporate and individual performance. Conversely, in challenging performance years, resulting total direct compensation will be below median, reinforcing our strong alignment between pay and performance.

Share ownership requirements

We require executives to own shares in Capital Power to align their interests with those of our shareholders. Minimum requirements increase by level of executive, and they must meet the requirements within five years of being appointed to the position or from the date that a change has been made to the required guideline.

	Share ownership guideline
Level of executive	**As a multiple of base salary**
President & CEO	5 x
All Senior Vice Presidents (including CFO)	2 x

Share ownership for each executive is based on the sum of the number of common shares and executive deferred share units (DSUs) held, as well as the number of earned (but unvested) performance share units (PSUs). Only earned PSUs, the portion of the award with a completed performance tranche, are included in the calculations because executives can use the proceeds from their PSU award payout to buy common shares to meet their share ownership requirements. More detail on the vesting schedule for PSUs is provided in a section that follows, titled Elements of Compensation on page 48. Option grants do not count towards an executive's ownership requirement. On a prospective basis, PSUs granted in 2020 and thereafter will not count as the redesign of the vesting period has removed earned tranches. This reduction in ownership recognition is mitigated by the introduction of RSUs, which will count on a fully-vested basis.

The following table shows the common shares and earned PSUs each named executive held at December 31, 2019. The value of common shares reflects the higher of cost of acquisition or $34.39, the closing price of our common shares on the TSX on December 31, 2019. Total earned PSUs include dividend equivalents and is also based on $34.39. The estimated value of the earned PSUs represents the payout value described above on an after-tax basis (using a marginal tax rate of 48%).

		Brian Vaasjo(1)	**Bryan DeNeve**	**Mark Zimmerman**	**Darcy Trufyn**	**Kathryn Chisholm**
Base Salary		$725,000	$380,000	$380,000	$360,000	$360,000
Current Equity Ownership	**Value of common shares**	$4,969,493	$1,029,758	$395,829	$2,232,255	$764,834
	After-tax value of earned PSUs	$1,239,957	$429,628	$353,543	$419,408	$276,425
	Pre-tax value of DSUs	$0	$32,539	$0	$0	$0
	Total ownership value	$6,209,450	$1,491,925	$749,372	$2,651,663	$1,041,259
Ownership Requirement	**Multiple of salary**	5	2	2	2	2
	Value	$3,625,000	$760,000	$760,000	$720,000	$720,000
	Compliance date(2)	July 27, 2023	May 1, 2020	July 27, 2023	July 27, 2023	July 27, 2023
Compliance Assessment	**Multiple of salary**	8.56	3.93	1.97	7.37	2.89
	As a percentage of ownership requirement	171%	196%	99%	368%	145%
	Meets ownership requirement?	Yes	Yes	In progress	Yes	Yes
	Historical ownership requirement	*3*	*2*	*1*	*1*	*1*

Notes

(1) Brian Vaasjo is subject to a 1-year post-retirement hold period.

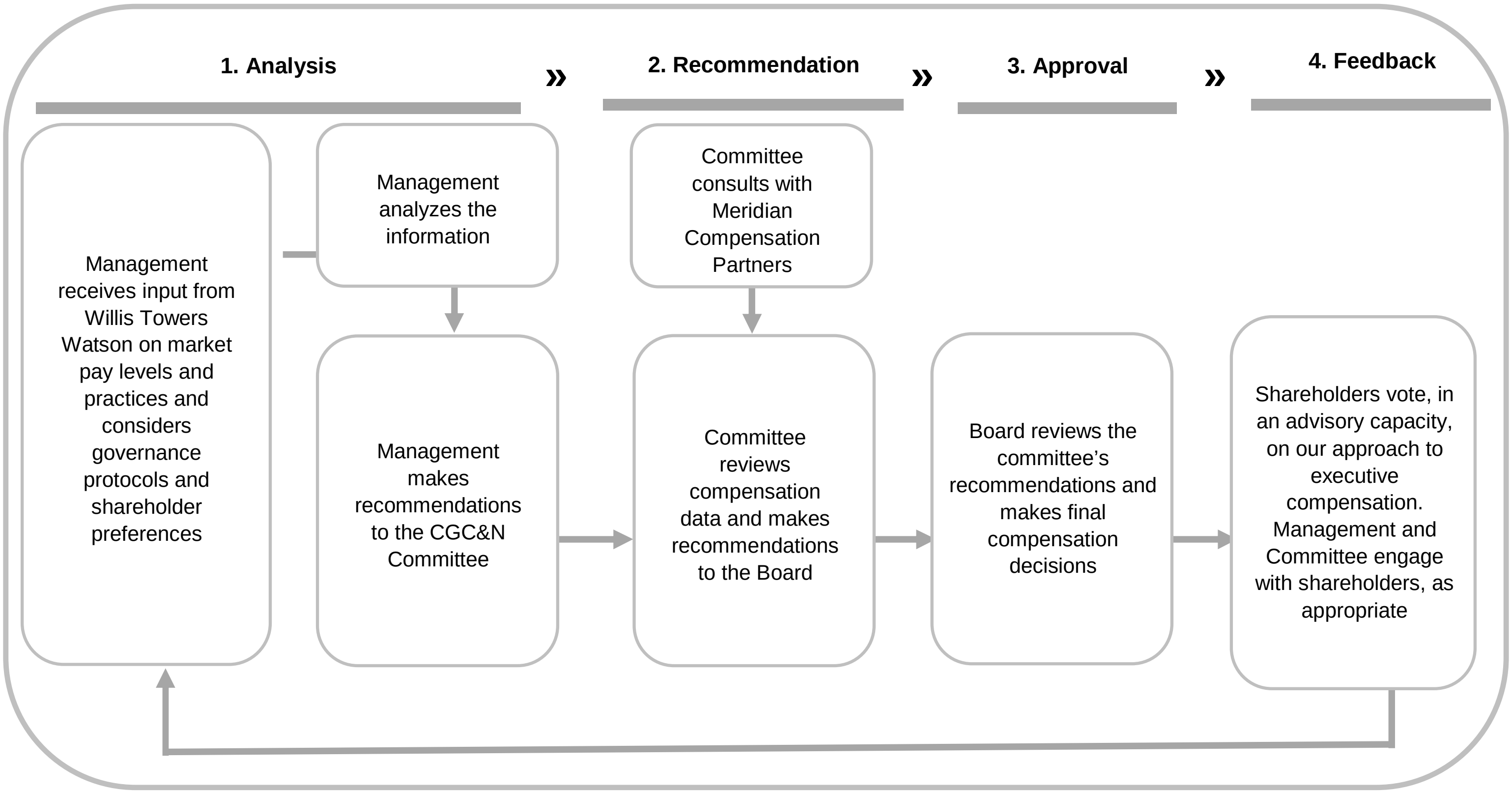
(2) In 2018, the Committee approved an increase to most of the ownership level requirements to better align with market practice. The executives have 5 years from the date of approval (July 27, 2018) to comply with the new share ownership guidelines.

We have an anti-hedging policy that prohibits insiders from engaging in any transaction in which they could benefit, directly or indirectly, if the value of any Capital Power security falls. In addition, any employee or director that has a minimum share ownership requirement is prohibited from pledging equity interests used to satisfy their ownership requirement.

In 2019, a one-year post-retirement hold period was introduced for the CEO. We do not require other named executives to maintain their share ownership requirement after they retire from Capital Power.

We have an Executive DSU plan that allows executives to voluntarily defer all or a portion of their annual short-term incentive award into DSUs. The DSU plan helps to facilitate equity ownership by providing executives a way to acquire share units on a pre-tax basis. The voluntary DSU deferral program is capped at the level required by executives to comply with their guidelines. Similar to the DSUs for the directors, executives cannot access the value of their DSUs until they leave the company.

DECISION-MAKING PROCESS



All executive compensation decisions are based on a formal process that involves human resources management, the committee and the Board. Management's external consultant (Willis Towers Watson) and the committee's independent compensation consultant (Meridian Compensation Partners) also provide input.

Analysis
Compensation planning is integrated with the annual business planning and budgeting process as well as our long-term planning process. Financial and operational targets are set based on the overall strategic plan and business priorities for the year.

Human resources management researches the compensation market with input from Willis Towers Watson that includes data from proxy circulars filed with Canadian securities commissions, and peer group analysis.

Management assesses the information and makes recommendations to the committee.

Recommendation
The committee reviews the compensation strategy and program design to ensure they align with our business needs. It reviews the total compensation of the CEO and other named executives against market data and recommends any changes to compensation levels to the Board. The committee approves the annual salary increase budget for non-executives and the design of the STIP.

The committee also reviews the CEO's performance and his individual performance assessments of the other executives and recommends the executive STIP awards to the Board. It also reviews and approves the total payout of the STIP and the measures for the LTI plan to make sure they reinforce our key priorities.

Independent advice
The committee has retained an independent consultant for executive compensation matters because it recognizes the importance of receiving third party advice from a subject matter expert that has no relationship with management. This helps to ensure that the committee's decisions and recommendations are made in an objective and arms-length manner in addition to being appropriate for Capital Power and consistent with market practices.

The consultant provides independent advice on:

- CEO compensation
- peer groups for executive and director compensation, as well as performance assessment
- the performance framework
- considerations related to levels of compensation in the competitive market provided by management and its advisor
- other compensation and related governance matters included within the committee's mandate

The consultant is responsible to the committee and must keep all matters confidential. It must also advise the committee chair of any potential conflicts of interest.

The Board has a policy that sets out broad guidelines for the independent consultant relationship. The policy limits the consultant's exposure to management and requires the committee to pre-approve any work plan undertaken with management, among other things. To date, the committee's consultant has never undertaken any work for management. Meridian Compensation Partners has been the committee's consultant since October 2018. The table below shows the fees paid to the committee's consultant for the last two years:

	2019 Meridian Compensation Partners	**2018** Meridian Compensation Partners
Executive compensation fees	$48,689	$13,517
All other fees	$0	$0
Total	**$48,689**	**$13,517**

Note

- Hugessen Consulting provided consulting services to the committee from January to September 2018. Meridian Compensation Partners was retained from October 2018 onward.

Management uses its own consultant for human resources matters and has retained Willis Towers Watson since Capital Power's inception.

Approval

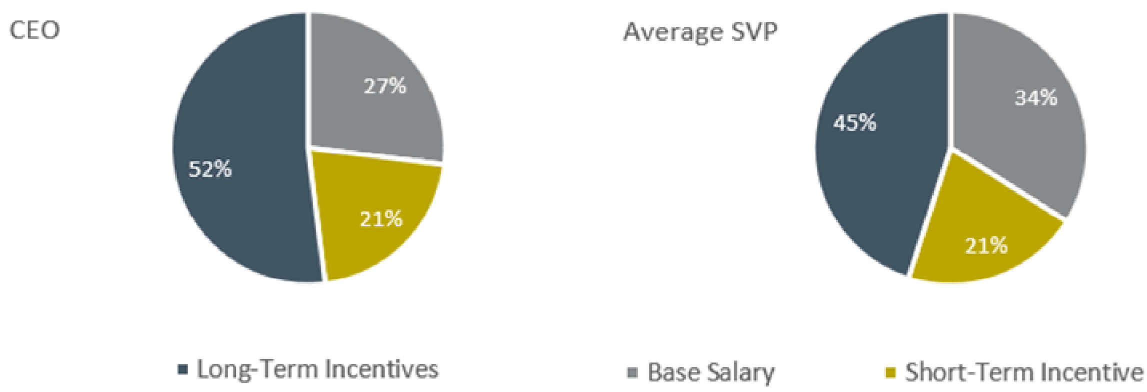
The Board reviews the committee's recommendations and approves all decisions on executive compensation.

ELEMENTS OF COMPENSATION

Total direct compensation includes base salary and short and long-term incentive awards.

A target compensation mix is set for each executive. The mix is based on level and role, the individual's relative ability to influence our business results and competitive practices. Incentive awards are at risk because they are not guaranteed — they also account for the largest portion of the mix.

Compensation mix



The next table describes each element in more detail:

Component	Objective	What it rewards
Base salary	Provides a competitive base level of fixed compensation based on responsibilities, scope and market data	Experience, expertise, knowledge and scope of responsibilities
Short-term incentive	Provides compensation that is based on achieving annual performance targets that support our overall strategic direction	Achievement of annual corporate objectives and individual performance goals
Long-term incentive	Provides equity-based compensation for sustaining mid- to long-term performance and aligns the interests of executives and shareholders Provides longer term retention vehicle for executives	Achievement of mid to long-term performance results and growth in share price

Base salary

Base salaries are targeted at the median of the compensation comparator group, and are based on the responsibilities of each position, individual experience, expertise and knowledge when compared with the market, individual performance and internal equity.

Short-term incentive

The STIP is designed to provide a competitive annual bonus based on corporate and individual performance while reinforcing our focus on strong leadership. The plan focuses on the achievement of corporate results and incents participants to meet or exceed individual business-specific objectives.

Target awards are set for each position as a percentage of base salary and are targeted at the median of the comparator group for executive positions with similar responsibilities. The table below shows the target incentive for each named executive for 2019:

	As a % of base salary		
Name	**Minimum (%)**	**Target (%)**	**Maximum (%)**
Brian Vaasjo	0	75	150
Bryan DeNeve	0	60	120
Darcy Trufyn	0	60	120
Mark Zimmerman	0	60	120
Kathryn Chisholm	0	60	120

STIP awards are based on performance over the 2019 calendar year and are paid out in March 2020.

Performance measures and weightings

Performance under the STIP is based on the following measures and weightings for the executive group:

<table>
<tr><th>Performance measure</th><th>Weighting</th><th></th></tr>
<tr><td>Corporate measures
Funds from operations (FFO)

Health, Safety and Environment (HSE) Index[1]

Corporate Strategic Objective (In 2019, Committed Capital)</td><td>50%

10%

10%</td><td>Corporate measures have a threshold, target and stretch value for each metric.
<table>
<tr><th>Performance</th><th>Payout (as a % of STIP target value)</th></tr>
<tr><td>Below Threshold</td><td>0%</td></tr>
<tr><td>Threshold (minimum)</td><td>50%</td></tr>
<tr><td>Target</td><td>100%</td></tr>
<tr><td>Stretch (maximum)</td><td>200%</td></tr>
</table></td></tr>
<tr><td>Individual measure
Business objectives (1), (2)</td><td>30%</td><td>The individual measure is assessed through the performance management process. Performance against business objectives is measured and rated against a five-point scale that determines the payout:
<table>
<tr><th>Rating</th><th>Payout (as a % of STIP target value)</th></tr>
<tr><td>Unacceptable</td><td>0%</td></tr>
<tr><td>Stronger performance required</td><td>50%</td></tr>
<tr><td>Fully successful</td><td>100%</td></tr>
<tr><td>Frequently exceeds expectations</td><td>150%</td></tr>
<tr><td>Outstanding</td><td>200%</td></tr>
</table></td></tr>
</table>

Notes

(1) Beginning with the 2020 performance year, a new category of Environment, Sustainability and Governance (ESG) measures will be used with a weight of 20%; 10% allocated to the HSE Index and another 10% allocated to various sustainability measures supporting retention, diversity and environmental performance. To support this change, the weight of Individual measure business objectives will be reduced from 30% to 20%

(2) Each named executive officer has individual business objectives related to their role that may include, among others, operational performance, asset optimization activities, disciplined growth targets, retention, and succession planning.

The maximum payout is capped at 200% of target.

The following requirements must be met for an individual to receive the maximum payout:

- Stretch results for corporate performance, and
- Outstanding performance against business objectives.

Payout formula

The target incentive opportunity (target award) for each position is a percentage of base salary. Performance is assessed against each measure and its weighting (base x weighting x target incentive x performance threshold). Results against each of the four performance measures are added together to determine the final STIP award:

The STIP includes a circuit breaker which is set at a level below the threshold value of FFO (70%). If FFO is below the circuit breaker value, the STIP will not pay out, except for the compensation related to the HSE Index component of the incentive.

Notwithstanding this circuit breaker guideline, the committee may still use informed judgment and discretion when determining the level of incentives that may be paid for all components of the short-term incentive when the minimum circuit breaker level is not met, or as the committee deems appropriate in the circumstances.

Measurement of the HSE Index includes two threshold conditions which must be met in order for the metric to contribute to a payout of the STIP award. The threshold conditions, which apply to two of the lagging indicators (Total Recordable Injury Frequency (TRIF) and Environment Incidents), are:

- should there be a fatality or permanent disabling injury, then TRIF is said to have not met threshold performance and will not contribute towards the STIP award.
- should there be a major or critical environmental incident, then the Environment Incident measure will be deemed to have not met threshold performance and will not contribute towards the STIP award.

Committee oversight and discretion
The Committee has the discretion to adjust payout levels for the overall plan and for individuals to take into account any unusual factors or extenuating circumstances that are beyond the executive's control and result in an incentive award that inappropriately overpays or underpays or creates an unintentional result. No adjustments were made for 2019 performance as the compensation outcomes were well aligned with performance.

Long-term incentive (LTI)
We grant an LTI award to:

- align the interests of our executives and shareholders
- motivate executives to deliver strong mid- and long-term performance
- retain executives over the long term

In 2019, the Committee reviewed and approved a recommendation to the Board for two changes to the LTIP: to change the LTI mix for the named executive officers and introduce restricted share units (RSUs); and, to change the measurement/vesting period for PSUs from a weighted 4-tranche basis to a single 3-year tranche. This change ensures alignment of executive compensation with our executive compensation comparator group, enhances retention, and allows us to better manage share reserve dilution. Beginning with the 2020 LTI grant, the LTI award will consist of three components — performance share units (PSUs), restricted share units (RSUs) and stock options.

The table below shows the change in the LTI award components:

	2019			2020		
Executive	**Performance Share Units (PSUs)**	**Restricted Share Units (RSUs)**	**Stock Options**	**Performance Share Units (PSUs)**	**Restricted Share Units (RSUs)**	**Stock Options**
CEO	55%	N/A	45%	60%	20%	20%
Other NEOs	50%	N/A	50%	60%	20%	20%

Awards are granted annually, with the size of the grant based on the target award and grant level approved by the committee and the Board.

The committee assesses the CEO's performance and recommends his LTI award to the Board for its review and approval. The CEO prepares recommendations for the other plan participants based on their level of responsibility, performance and market competitiveness. He submits these to the committee which then recommends the awards to the Board for its review and approval.

The committee stress tests the LTI award using different performance scenarios to test the expected values of the award and assess the competitiveness of total compensation relative to the compensation peer group.

The committee and the Board do not consider grants from previous years when determining new awards.

Board oversight and discretion
The Board has the discretion to amend or discontinue the LTI plan at any time, subject to compliance with the requirements of the TSX.

Performance Share Units (PSUs) and Restricted Share Units (RSUs)

Form of award	Notional share-based awards
Who participates	Executives and senior management (Executives to start participating in RSU plan in 2020)
Dividends	Dividend equivalents (at the same rate as dividends paid on our common shares)
Vesting	Cliff vest at the end of three years, on January 1 (dividend equivalents vest on the same schedule and for PSU dividend equivalents only, are based on the same relative TSR performance as the PSUs themselves)
Payout	Cash
Assignment	Generally, cannot be transferred except for estate planning purposes. Outstanding PSUs and RSUs are for the benefit of and are binding on the beneficiary
Termination	*Resignation/termination* for cause – all PSUs and RSUs are forfeited *Termination without cause; retirement; disability* – vesting of PSUs is based on actual performance to the end of the quarter preceding the date of termination, and pro-rated to the last day worked. For RSUs, vesting is pro-rated to the last day worked *Death* – vesting of PSUs is based on target performance and is pro-rated to the last day worked. For RSUs, vesting is pro-rated to the last day worked.

PSUs focus on relative performance, using total shareholder return (TSR), defined as growth in share price (including reinvested dividends) to measure our performance against the performance of our peers.

Payout formula

 # PSUs Granted (plus reinvested dividends) × **Performance Multiplier** (based on 3-year relative TSR) × **Release Price** (30-day VWAP) = **PSU Award $**

The actual payout or realized value of PSUs is based on our relative TSR ranking and our 30-day volume-weighted average share price (VWAP) at the end of the three-year performance period.

Performance peer group
Our performance peers are companies with similar business characteristics that we compete with for investment capital.

All companies in the performance peer group are publicly-traded Canadian companies classified as power producers or utilities with total enterprise values (TEV) greater than $1 billion (TEV is capped at 10x our TEV to avoid including significantly larger organizations), with strong dividend yields and low volatility (as measured through a company's beta, namely the measure of volatility relative to the market as a whole).

Management regularly reviews the peer group to ensure that companies meet the established criteria. The following is a list of the companies used to measure our TSR performance for the 2017, 2018 and 2019 PSU grants:

	2017	**2018**	**2019**
Algonquin Power & Utilities Corp.	✓	✓	✓
AltaGas Ltd.	✓	✓	✓
Atlantic Power Corporation(1)	✓		
Boralex Inc.(2)		✓	✓
Brookfield Renewable Energy Partners L.P.	✓	✓	✓
Canadian Utilities Limited	✓	✓	✓
Emera Inc.	✓	✓	✓
Fortis Inc.	✓	✓	✓
Hydro One Ltd.(2)		✓	✓
Innergex Renewable Energy Inc.	✓	✓	✓
Northland Power Inc.	✓	✓	✓
TransAlta Corporation	✓	✓	✓
TC Energy Corporation(1)	✓		
Veresen Inc.(3)	✓		

Notes

(1) The committee approved the removal of Atlantic Power Corporation and TC Energy Corporation effective as of the 2018 grant as these companies no longer satisfy the peer group criteria.
(2) The committee approved the addition of Boralex Inc. and Hydro One Ltd. effective as of the 2018 grant.
(3) Veresen Inc. remains in the peer group but is excluded from measurement periods that begin after its acquisition by Pembina Pipelines on October 4, 2017.

The difference between the executive compensation comparator group and the performance peer group reflects the different purposes of each of the groups, namely benchmarking executive pay versus benchmarking company performance. The executive compensation comparator group represents the market for executive talent while the performance peer group represents companies that share similar risks and opportunities, are subject to similar macro-economic influences, and are operational and strategic competitors.

Independent consultants and the committee review the peer group every year to identify the external benchmarks that represent the competitors for investor dollars and operating peers with comparable risks and opportunities. Many of the peers do not have the same commodity exposure as us, so we anticipate that performance relative to these companies will be impacted by our position within the commodity cycle. Given the limited number of direct performance peers, we believe that the current group best represents other Canadian companies with similar business and operational strategies.

Payout multiplier
In 2019, the Committee reviewed and approved a recommendation to the Board to change the vesting schedule of the PSUs to ensure alignment of practice with our executive compensation comparator group. Beginning with the 2020 LTI grant, relative TSR

will be measured over a 3-year period (previous grants measured relative TSR over four tranches: an averaging period of three years, based on 60% annual performance or 20% per year; and, 40% of three-year cumulative performance). Payouts are made at the end of the three-year performance period based on the payout multiplier and our share price at the end of the period.

The table below shows the TSR rankings and corresponding payout multipliers for the formula:

If we achieve a TSR ranking of:	Then the payout multiplier is
75th percentile or higher	200% of target
50th percentile (median)	100% of target
25th percentile	50% of target
Below the 25th percentile	0% of target

The payout multiplier is interpolated on a straight-line basis if performance falls between percentiles.

Stock options
Stock options promote a focus on increasing our absolute share price over the longer term.

The exercise price for stock options granted under the LTI plan is the closing price of our common shares on the TSX on the day immediately preceding the grant date (the fair market value).

	LTI plan
Form of award	The right to purchase our common shares at a price that is at least the fair market value on the grant date
Participants	Executives and senior management
Vesting	One-third each year beginning on the first anniversary of the grant date (unless stated otherwise when the options are granted)
Term	Expire after seven years (or less as stated when the options are granted) If the expiry date falls during a black-out period, the expiry date is extended to 10 days after the black-out period ends
Payout	Based on when the participant exercises the options The participant only realizes a value if the share price is higher than the exercise price when they exercise the options
Assignment	Generally, cannot be transferred, except for estate planning purposes or judicial order. Any outstanding options are for the benefit of and are binding on the party holding exercise rights
Termination	*Resignation* – unvested options are forfeited and vested options expire up to 30 days after termination *Termination without cause* – all options expire up to 30 days after termination and continue to vest during that period *Retirement/disability/death* – all options expire up to 12 months after termination and continue to vest during that period *Termination for cause* – vested and unvested options are forfeited upon termination

The committee and the Board believe that stock options form an important component of a competitive compensation package for executives and senior managers. They help attract and retain strong talent and motivate them to execute our business strategy successfully.

The Board recognizes the need to strike a proper balance between a long-term compensation program for management employees that aligns their interests with those of shareholders, and potential shareholder concerns about dilution from the ongoing granting and exercising of stock options.

Stock option valuation
Stock options are valued using the estimated accounting grant date fair value (determined by using the binomial option pricing model) or 15% of the calibration price, whichever is greater. For the 2019 stock option grant, a value ratio of 15% was used.

Amending or terminating the plan
We must receive shareholder approval to make any of the following changes:

- increase the maximum number of shares that can be granted under the plan
- reduce the exercise price below the market price of the shares on the grant date
- cancel and re-issue an award under different terms which has the effect of reducing the exercise price of the award
- increase the limits of the number of common shares that can be reserved for issue to insiders or to any participant
- reduce the exercise price of an outstanding award
- extend the term beyond seven years
- extend the term of any outstanding awards
- allow a participant to assign their options to someone not currently allowed under the plan
- change the definition of persons eligible to participate in the plan

The Board can amend the LTI plan to make housekeeping or administrative changes as set out in the plan documents if they meet the TSX requirements. The Board can also terminate the plan at any time.

Any changes do not affect the rights that participants have already accrued.

Share reserve
The plan limits the number of common shares that may be reserved for issue:

- no more than 10% of the total common shares issued and outstanding to all insiders in any year
- no more than 5% of the total common shares issued and outstanding to any participant

The number of common shares reserved for issue for stock options awarded to insiders represents approximately 2.1% of the common shares outstanding (105,381,786 as at December 31, 2019).

A total of 9,194,506 common shares can be issued under the plan as at December 31, 2019.

For additional discussion of our equity compensation plan, please see page 66.

ASSESSING PERFORMANCE

Our executive compensation is designed to pay for performance, rewarding individuals for results that meet or exceed our corporate objectives and business strategy within the risk tolerances approved annually by the Board.

Capital Power's integrated business planning, risk management, budgeting and performance management process is designed to:

- align departmental business plans with our corporate plan and strategy
- promote cross-functional coordination
- increase accountability for deliverables and cross-functional commitments
- link plans with resources through integration with the budget process

The business planning process starts with the development of the CEO's business plan. The business plan has a number of key initiatives that support the long-term corporate strategy and a number of interim deliverables or milestones, most of which are delegated to the executive team. These delegated deliverables become the executive team's deliverables, for which they identify and delegate, as appropriate, interim deliverables. The business planning process follows this cascading approach down to all managerial positions.

The business planning process provides a framework to ensure that executive and managerial positions are working in concert to move Capital Power forward in the desired direction, ultimately focused on supporting our overall vision and corporate strategy.

The STIP provides competitive annual bonuses that reflect corporate and individual performance against business plan deliverables. Corporate measures focus on corporate results and create joint accountability among the executives. Individual performance objectives allow for the differentiation of payouts based on individual contributions. Individual performance is assessed relative to how well each executive meets their annual individual deliverables in their business plan.

The LTI plan promotes a focus on increasing our share price in both absolute and relative terms. In absolute terms, share performance directly affects the value that executives can realize from their share unit and stock option holdings –stock options have no value except to the extent share price increases and the value of PSUs is based on the share price at the end of the 3-year performance period. In relative terms, higher or lower share performance relative to that of our performance peer group will result in higher or lower payouts from PSU holdings. This emphasis on longer-term performance, with the value directly tied to share price, is intended to align executive interests with those of our shareholders over a longer time horizon. Adhering to the business plans and accomplishing the key initiatives that support our corporate strategy can result in appreciation in our share price.

Risk management

The Board establishes acceptable levels of risk, and these govern our business decisions and risk management policies. Compensation risk is factored into every compensation decision or recommendation the committee makes to ensure decisions and actions are consistent with our policies and practices and appropriate based on market conditions and peer practices. The committee conducted a compensation risk assessment in October 2019 to review our compensation structure, policies and practices and the key risks affecting our business and independent power producers generally.

Willis Towers Watson was engaged to provide an analysis of the compensation risk of Capital Power's programs and concluded that none of our current compensation practices are reasonably likely to have a material adverse effect on Capital Power. On a prospective basis, the Committee will undertake a compensation program risk assessment on a periodic basis and present to the Board. The table below describes risk mitigating features of our compensation programs:

Compensation Governance	• Risk management integrated into the business planning and review process • There is overlap between members of the various Board committees which provides context on common activities and help better manage risks
Pay Philosophy & Structure	• Executive compensation is balanced between fixed and variable pay, short and long-term incentives, and absolute and relative measures, encouraging proper risk taking that builds long-term value creation and discouraging excessive short-term risk taking that can threaten our long-term success • Retention risk is mitigated during a change-in-control event by double trigger vesting of long-term incentives • Severance arrangements are limited to a reasonable level (2X multiple of salary) to discourage inappropriate risk taking
Pay Plan Design	• STIP financial metric (FFO) encourages acquisition/development of assets that make strong contributions to our results • Other objectives measured for STIP include operational, safety and project execution • The Committee has the discretion to adjust payout levels of the STIP, whether overall or by individual, to address unintentional results • Payouts under the STIP and the PSU component of the LTIP are capped at 2X target award opportunity • PSUs have overlapping performance cycles to support sustained results • Executives have share ownership guidelines (5X for CEO; 2X for other Executives), exposing them to the long-term risks of their decision making • Our claw-back policy[1] requires executives to reimburse the company for any LTI or STI compensation awarded for financial or other results that were subsequently materially restated or corrected

	• Our anti-hedging policy[1] prohibits insiders from engaging in trading activities that would allow them to benefit from a decrease in the value of our securities. It also prohibits employees and directors from pledging or encumbering any shares that go towards meeting their minimum share ownership requirements

Notes

(1) These policies are contained in our corporate governance policy which can be found on our website (www.capitalpower.com).

COMPENSATION DECISIONS FOR 2019

The Board, on the committee's recommendation and based on management's executive compensation review, approved the following decisions on executive compensation for performance in 2019.

Base salary

	2018 Salary	2019 Salary	% Increase	2020 Salary	% Increase
Brian Vaasjo President & CEO	$725,000	$725,000	0.0%	$800,000	10.3%
Bryan DeNeve Senior Vice President, Finance & CFO	$370,000	$380,000	2.7%	$410,000	7.9%
Darcy Trufyn Senior Vice President, Operations, Engineering & Construction	$350,000	$360,000	2.9%	$390,000	8.3%
Mark Zimmerman Senior Vice President, Corporate Development & Commercial Services	$370,000	$380,000	2.7%	$410,000	7.9%
Kathryn Chisholm Senior Vice President, Chief Legal & Sustainability Officer	$340,000	$360,000	5.9%	$390,000	8.3%

Note

- Base salaries are reviewed on an annual basis and are targeted within a reasonable range of the median of the comparator group (see page 44).

2019 STIP award

Corporate performance

Performance measure	Weighting	Target	Result	Performance assessment
Financial				
Funds from operations (FFO) • cash provided by operating activities (IFRS-defined term), less changes in operating working capital	50%	$557 million	$594 million	166.1% Significantly above target
Corporate safety				
Health, Safety & Environment (HSE) Index • a measurement of safe, healthy and environmentally accountable work performance. Utilizes a weighted combination of five (5) leading indicators and two (2) lagging indicators	10%	1.00	1.09	160.0% Significantly above target
Corporate Strategic Objective				
Committed capital during the year • a measurement of achievement as defined by the Board	10%	$500 million	$1,160 million	200.0% Stretch

Corporate Measures	Weighting		Results (as a % of target)		Corporate performance results
Funds from operations (FFO)	50%	x	166.1%	=	83.04%
HSE Index	10%	x	160.0%	=	16.00%
Corporate Strategic Objective	10%	x	200.0%	=	20.00%
				Total	***119.04%***

Individual Measures	Weighting		Results (as a % of target)		Individual performance results
Unacceptable			0%		**0%**
Stronger performance required			50%		**15%**
Fully successful	30%	x	100%	=	**30%**
Frequently exceeds expectations			150%		**45%**
Outstanding			200%		**60%**

STIP Award Amounts

	Base salary ($)		Target incentive		Corporate performance results + Individual performance results		2019 STIP award ($)
Brian Vaasjo	725,000	x	75%	x	(119.04% + 45%)	=	891,968
Bryan DeNeve	370,000	x	60%	x	(119.04% + 45%)	=	374,011
Darcy Trufyn	350,000	x	60%	x	(119.04% + 60%)	=	386,726
Mark Zimmerman	370,000	x	60%	x	(119.04% + 45%)	=	374,011
Kathryn Chisholm	340,000	x	60%	x	(119.04% + 45%)	=	354,326

Based on a review of the STI targets against market competitive data for our peers, the Board approved Management's recommendation that the following named executive officers should receive an adjustment of their STI targets in 2020:

- President and CEO increases from 75% to 100%

Individual performance

Named executive	Business objectives rating	Comments
Brian Vaasjo President & CEO	Frequently Exceeds Expectations	Mr. Vaasjo achieved Frequently Exceeds Expectations on his 2019 Individual Measures. Measures relating to maintenance, capital expenditures, safety and environment were all exceeded. Operating performance and general and administrative costs were near expectations, while measures relating to carbon emission reductions were exceeded. The acquisition and integration of the Goreway natural gas plant, the advancement of Whitla 2 and completion of Whitla 1 were excellent. Acceleration of the Genesee duel fuel capability, initiating the final phase of the GPS initiative and the Genesee 3 / Keephills 3 swap were all very important strategic initiatives. Advancing plant enhancement projects at Decatur and Arlington and the heat rate swap at Arlington are significant improvements to those facilities.
Bryan DeNeve Senior Vice President, Finance & CFO	Frequently Exceeds Expectations	Mr. DeNeve achieved Frequently Exceeds Expectations on his 2019 Individual Measures. Measures associated with costs in his areas of responsibility, tax and timing of quarter end closings, all exceeded expectations. Financing activities, including tax equity partnerships and tax planning exceeded expectations.
Darcy Trufyn Senior Vice President, Operations, Engineering & Construction	Outstanding	Mr. Trufyn achieved Outstanding on his 2019 Individual Measures. Safety and environment results exceeded expectations, while cost performance was excellent and operating results met expectations. Construction of Whitla 1 was completed on time and under budget, Cardinal Point is progressing on time and on budget while Whitla 2 will be proceeding. Initiatives relating to acceleration of the Genesee duel fuel capability, initiating the final phase of the GPS initiative to reduce the carbon footprint and efficiency improvements and advancing plant enhancement projects at Decatur and Arlington were all outstanding.
Mark Zimmerman Senior Vice President, Corporate Development & Commercial Services	Frequently Exceeds Expectations	Mr. Zimmerman achieved Frequently Exceeds Expectations on his 2019 Individual Measures. The objective of increasing our contracted investments with the successful acquisition and integration of the Goreway natural gas plant exceeded expectations. Cost performance met expectations. Commodity portfolio management performance in 2019 was very good.
Kathryn Chisholm Senior Vice President, Chief Legal & Sustainability Officer (formerly, Legal & External Relations)	Frequently Exceeds Expectations	Ms. Chisholm achieved Frequently Exceeds Expectations on her 2019 Individual Measures. Regulatory and government relations advocacy efforts and legal support exceeded expectations in 2019.Communications and Stakeholder Relations exceeded expectations. Execution in the new role of Chief Sustainability Officer met expectations. Cost management results for her areas of responsibility met expectations.

Payment of 2017 PSU awards

PSU awards are at-risk compensation. The named executives achieved performance of 157% for the 2017 PSU awards when they vested on January 1, 2020. The table below is based on $33.82, the 30-day volume-weighted average closing price of our common shares on the TSX immediately preceding the vesting date.

	Accumulated PSUs 2017 grant plus reinvested dividends (#)		Payout multiplier based on relative TSR (%)		Payout realized value ($)
Brian Vaasjo	30,096.04	x	157	=	1,597,995
Bryan DeNeve	10,879.18	x	157	=	577,646
Kathryn Chisholm	7,033.15	x	157	=	373,440
Darcy Trufyn	10,793.49	x	157	=	573,080
Mark Zimmerman	8,863.84	x	157	=	470,639

Notes

- The product of the Accumulated PSUs and Payout multiplier is rounded down to the nearest whole share unit. As per LTI plan rules, fractional share units are not released.

Relative TSR

TSR measures the change in value of an investment over a period of time, representing the return that an investor receives from changes in share price and dividends paid. Relative TSR measures the performance of a company against its business competitors, and rewards industry out-performance.

We calculated TSR for the period ending December 31, 2019 for the 2017 PSU grant as follows:

- Starting and ending share price – share price is the simple average closing share price of the 30 trading days prior to the start and end of the measurement period, which reduces the possible impact of short-term share price fluctuations.
- Measurement period – there are four (4) measurement periods, aligning with each of the four (4) tranches in the PSU grant, as follows:

Measurement Period	Starting Share Price	Ending Share Price
Tranche 1	November 17, 2016 to December 30, 2016	November 16, 2017 to December 29, 2017
Tranche 2	November 16, 2017 to December 29, 2017	November 16, 2018 to December 31, 2018
Tranche 3	November 16, 2018 to December 31, 2018	November 18, 2019 to December 31, 2019
Final Tranche	November 17, 2016 to December 30, 2016	November 18, 2019 to December 31, 2019

- Reinvested dividends – dividends are reinvested on the dividend payment date.
- Performance peer group – the following 12 companies were used to measure our TSR performance for the 2017 PSU grant:

Algonquin Power & Utilities Corp.	Fortis Inc.
AltaGas Ltd.	Innergex Renewable Energy Inc.
Atlantic Power Corporation	Northland Power Inc.
Brookfield Renewable Energy Partners LP	TransAlta Corporation
Canadian Utilities Limited	TC Energy Corporation
Emera Inc.	Veresen Inc.

The following table details the results of Capital Power's relative TSR for the 2017 PSU award:

	Tranche 1 (2017)	Tranche 2 (2018)	Tranche 3 (2019)	Tranche 4 (2017-2019)
25th Percentile	7.4%	-11.3%	30.1%	25.7%
50th Percentile	10.4%	-7.9%	34.8%	41.5%
75th Percentile	19.3%	-1.2%	41.5%	51.1%
Capital Power Corporation	**12.4%**	**20.9%**	**31.2%**	**78.2%**
Payout Factors	122%	200%	62%	200%
Weighted Average	**24.4%** (122% x 20%)	**40.0%** (200% x 20%)	**12.4%** (62% x 20%)	**80.0%** (200% x 40%)
Aggregate Weighted Average (Payout Factor)		**157%** (24.4% + 40.0% + 12.4% + 80.0%)		

In the aggregate (weighted average basis), our TSR finished between the 50th and 75th percentile, resulting in a payout factor of 157%. See Performance share units on page 50.

2020 LTI award

The Board approved a grant of PSUs (weighted at 60%), RSUs (20%) and stock options (20%), no earlier than March 11, 2020, to the named executives and other eligible participants. Based on a review of the LTI targets against market competitive data for our peers, the Board approved Management's recommendation that the following named executive officers should receive an adjustment of their LTI targets in 2020:

- President and CEO increases from 190% to 200%

PSUs and RSUs will vest on January 1, 2023 and the realized value will depend on our volume-weighted average closing share price on the 30 trading days preceding the vesting date and for PSUs only, our relative TSR against the performance peer group.

The realized value of the option award depends on our share price over time and when the executive exercises the options. Options vest one third each year beginning on the first anniversary of the grant date and expire after seven years.

Pay for performance analysis

Executive compensation includes cash and equity-based compensation with terms varying from one year for annual base salary and the short-term incentive plan, and from three to seven years for our long-term incentives.

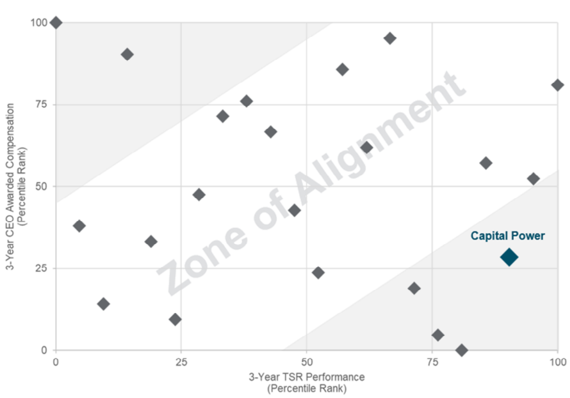
Compensation under our incentive programs is variable, or at-risk, to motivate executives to deliver strong corporate and individual performance. The equity-based components of our incentive programs provide alignment with our shareholders as executives realize higher value the stronger the performance of our share price over time.

The charts below give a pay for performance analysis for Brian Vaasjo, our President & CEO, over the period 2017 to 2019, based on two different views: pay opportunity and realizable pay.

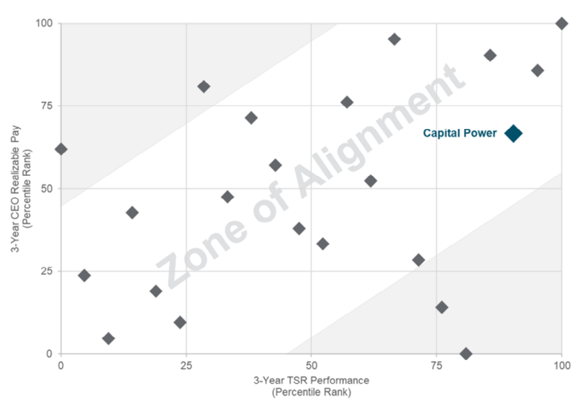
Zone of alignment

	Pay opportunity	Realizable pay
CEO pay definition	Pay Opportunity is defined as the sum of annual base salary, actual bonus received and the estimated value of long-term incentive on the date of grant.	Realizable pay is defined as the sum of annual base salary, actual bonus received and the in-the-money value of long-term incentive grants.
Company performance definition	Total shareholder return (TSR), which is equal to the annualized rate of return of a stock to an investor, reflecting both capital gains and reinvested dividends	Same
Outcome	Mr. Vaasjo is positioned well below the zone of alignment at the 29th percentile while Capital Power's TSR performance is at the 90th percentile.	Mr. Vaasjo is positioned within the zone of alignment at the 67th percentile while Capital Power's TSR performance is at the 90th percentile.

Pay Opportunity



Realizable pay



Look back analysis

The table below gives an eight-year compensation look back for Mr. Vaasjo compared to absolute shareholder value. It compares the grant date value of compensation awarded to Mr. Vaasjo for his performance as President & CEO against the actual value he has received from his compensation during his tenure.

On a weighted average basis over the cumulative period of 2012 to 2019, Mr. Vaasjo has realized 59% more than the expected value of the compensation that the committee awarded him (awarded compensation) while the shareholder's investment has increased by 100% demonstrating a positive relationship on behalf of the shareholder.

	Targeted compensation(1)	Awarded compensation(2)	Actual compensation value as of December 31, 2019(3)	Value of $100		
				Period	Mr. Vaasjo(4)	Shareholder(5)
2012	$2,283,750	$2,148,072	$2,512,984	2012JAN01 to 2019DEC31	$117	$224
2013	$2,283,750	$2,511,620	$3,529,923	2013JAN01 to 2019DEC31	$141	$234
2014	$2,589,370	$2,643,606	$3,872,467	2014JAN01 to 2019DEC31	$146	$236
2015	$2,449,511	$2,558,959	$3,482,919	2015JAN01 to 2019DEC31	$136	$184
2016	$2,480,957	$2,654,631	$7,572,929	2016JAN01 to 2019DEC31	$285	$253
2017	$2,521,693	$2,598,416	$4,443,482	2017JAN01 to 2019DEC31	$171	$179
2018	$2,676,254	$3,036,978	$5,294,387	2018JAN01 to 2019DEC31	$174	$159
2019	$2,535,631	$3,040,325	$2,851,021	2019JAN01 to 2019DEC31	$94	$137
				Weighted average(6)	***$159***	***$200***

Notes

(1) Includes salary as noted in Mr. Vaasjo's employment agreement, target short-term incentive award and the expected value of the long-term incentive award as of the date of the grant.

(2) Includes actual salary earned, actual short-term incentive award in respect of performance during the year, and the expected value of the long-term incentive award as of the date of the grant.

(3) Includes actual salary earned, actual short-term incentive award in respect of performance during the year, the value of maturity of share units granted (or current value for units that are outstanding), the value of stock options exercised during the period, and the in-the-money value of stock options that remain outstanding. Share units and options are valued at the closing price of our common shares on the TSX on December 31, 2019 of $34.39 per share.

(4) Represents the actual value to Mr. Vaasjo for each $100 awarded in total direct compensation during the fiscal year indicated.

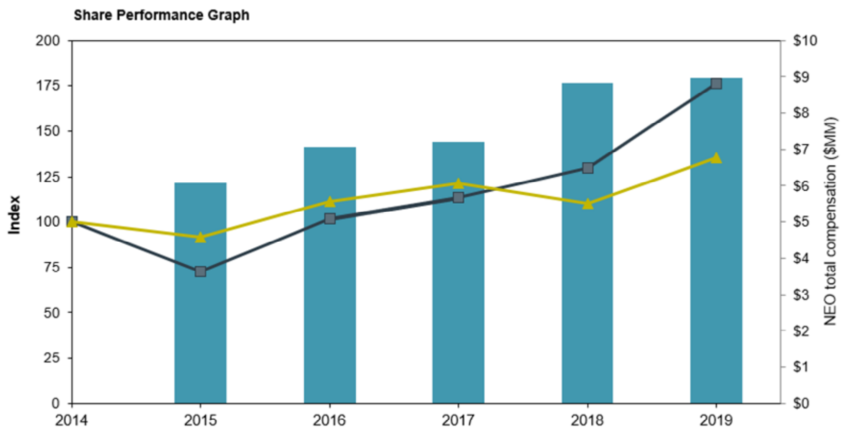
(5) Represents the cumulative value of a $100 investment in common shares made on the first trading day of the period indicated, including reinvested dividends.

(6) The weighted average for Mr. Vaasjo and the shareholder has been calculated using the "targeted compensation" as the common multiplier.

Overall, the pay for performance analyses above demonstrate that Capital Power has provided compensation to Mr. Vaasjo over his tenure that is aligned with absolute and relative company performance and the shareholder experience.

SHARE PERFORMANCE

The following graph compares the annual change in the cumulative total shareholder return on our common shares to the cumulative total return on the S&P/TSX Composite Index and total compensation paid to our named executives. The calculation assumes an investment of $100 in our common shares (CPX) on December 31, 2014 and the reinvestment of dividends.



	2015	2016	2017	2018	2019
NEO total compensation ($MM)	6.1	7.1	7.2	8.8	9.0
CPX TSR	73	102	113	130	176
S&P/TSX Composite Index TSR	92	111	121	110	136

Note

- The above graph reflects share values as of December 31 of the respective year.

Total compensation as shown in the graph and in the summary compensation table is the sum of the base salary, short-term incentive, grant date fair value of long-term incentive awarded, pension and all other compensation.

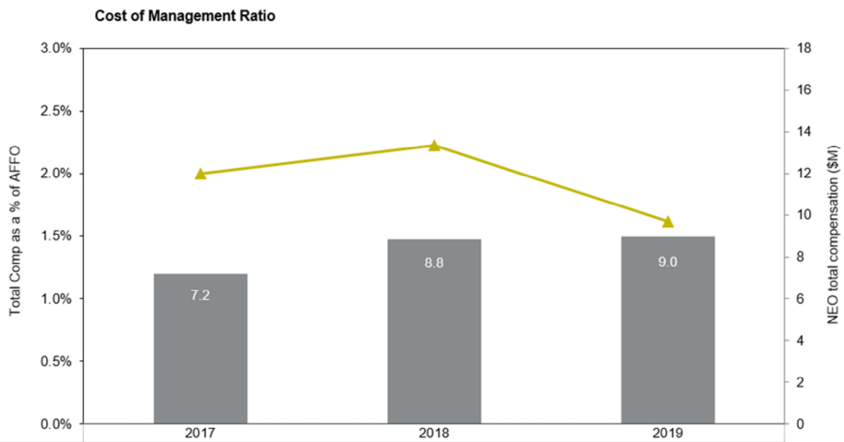
Executive compensation will be affected by our share performance over the long-term because a significant portion is equity based, aligning the interests of executives and shareholders. While the grant date fair value of our stock option and share unit grants do not vary with corporate or share performance, award payouts are directly tied to our share performance.

- For stock options and PSUs, there is a direct correlation between our share price performance and the actual compensation realized by our executives.
- For PSUs, there is the additional factor of performance relative to that of our peer group which will result in higher or lower payments.

This relationship is illustrated in the look back analysis (see previous section) where the actual value earned through the various compensation elements shows alignment with our shareholder returns.

Cost of Management Ratio

To demonstrate the relationship between NEO compensation and the company's financial resources, the following graph plots the total of all types of compensation awarded to the top five NEOs compared to adjusted Funds from Operations (AFFO), since 2017. This measure shows that Capital Power's NEO compensation has remained relatively consistent over the past three years and now sits below 2% of AFFO.



	2017	2018	2019
NEO total compensation ($ millions)	7.2	8.8	9.0
Total Comp as a % of AFFO	2.0%	2.2%	1.6%
AFFO ($ millions)	361	397	555

Note

- AFFO is reported for the year ended December 31 and is a Non-GAAP financial measure. See Non-GAAP Financial Measures in the Company's Management's Discussion and Analysis for the year ended December 31, 2019.

2019 details

SUMMARY COMPENSATION TABLE

The table below shows the compensation each named executive received for the fiscal years ended December 31, 2019, 2018, and 2017. Brian Vaasjo does not receive compensation as a director of Capital Power.

Name and principal position	Year	Salary ($)	Option-based awards ($)	Share-based awards ($)	Non-Equity incentive plans (Annual) ($)	Pension value ($)	All other compensation ($)	Total compensation ($)
Brian Vaasjo	2019	725,000	665,730	757,627	891,968	316,184	92,960	3,449,469
President & CEO	2018	725,000	649,888	757,616	904,474	251,193	89,254	3,377,425
	2017	725,000	636,700	616,243	620,473	206,552	80,870	2,885,838
Bryan DeNeve	2019	377,308	268,225	249,743	374,011	148,290	58,850	1,476,427
Senior Vice President,	2018	364,615	247,689	236,247	335,975	333,183	61,203	1,578,912
Finance & CFO	2017	344,615	230,141	222,761	219,662	203,492	54,907	1,275,578
Darcy Trufyn	2019	357,308	253,727	236,244	386,726	15,391	82,704	1,332,100
Senior Vice President, Operations, Engineering &	2018	347,308	231,700	221,006	349,314	14,978	76,009	1,240,314
Construction	2017	340,000	228,334	221,006	213,386	14,826	70,916	1,088,468
Mark Zimmerman	2019	377,308	268,225	249,743	374,011	13,615	71,079	1,353,980
Senior Vice President, Corporate Development &	2018	364,615	201,819	192,508	402,575	13,250	72,747	1,247,515
Commercial Services	2017	344,615	187,523	181,495	258,162	13,115	121,306	1,106,216
Kathryn Chisholm	2019	354,615	209,963	195,490	354,326	218,857	52,650	1,385,901
Senior Vice President, Chief Legal & Sustainability	2018	334,615	150,971	144,008	339,334	370,155	52,674	1,391,757
Officer	2017	320,000	148,780	144,010	150,576	69,490	50,681	883,537

Note

- Share-based awards values represent accounting fair value of PSUs for all named executives.

Salary

Based on management's executive compensation review, base salaries for the following executives will be increased in 2020:

- President & CEO (+10.3%)
- Senior Vice President, Finance & CFO (+7.9%)
- Senior Vice President, Operations, Engineering and Construction (+8.3%)
- Senior Vice President, Corporate Development and Commercial Services (+7.9%)
- Senior Vice President, Chief Legal and Sustainability Officer (+8.3%)

Share-based awards

Amounts are the grant date fair value of the PSU awards consistent with the accounting valuation and in accordance with IFRS.

The table below shows the accounting fair value reported in our financial statements:

	2019 Accounting	2018 Accounting	2017 Accounting
Fair value	$38.44	$44.82	$47.90

Option-based awards

Amounts are the grant date fair value of the option awards consistent with the accounting valuation and in accordance with IFRS. We adopted a minimum option valuation factor of 15% for 2017, 2018 and 2019. The actual fair values in 2017, 2018 and 2019 were less than the minimum; therefore, the minimum was adopted for all three grants.

	2019 Accounting	**2018 Accounting**	**2017 Accounting**
Volatility	16.9%	17.3%	17.9%
Dividend yield	5.82%	6.6%	5.92%
Expected life	4.5 years	4.5 years	4.5 years
Risk-free rate	1.88%	1.84%	1.12%
Vesting discount	0%	0%	0%
Fair value	$4.62	$3.67	$3.83

Non-equity incentive plans

Annual

- Amounts are the actual STIP awards earned for that year and paid in March of the following year.
- Bryan DeNeve elected to defer a portion of his 2016 STIP award into executive DSUs. The STIP award paid in cash to Mr. DeNeve was $192,033, with the remainder granted as 784 executive DSUs on February 28, 2017, with an expected value of $20,213.

Long-term

Capital Power does not have a long-term non-equity incentive plan.

Pension value

- 2019 pension value represents compensatory changes from January 1, 2019 to December 31, 2019. The 2019 pension value reflects changes in the obligation due to actual salary experience during 2019 and includes service cost based on a 3.0% increase in pensionable earnings for 2019 and thereafter.
- 2018 pension value represents compensatory changes from January 1, 2018 to December 31, 2018. The 2018 pension value reflects changes in the obligation due to actual salary experience during 2018 and includes service cost based on a 3.0% increase in pensionable earnings for 2018 and thereafter.
- 2017 pension value represents compensatory changes from January 1, 2017 to December 31, 2017. The 2017 pension value reflects changes in the obligation due to actual salary experience during 2017 and includes service cost based on a 3% increase in pensionable earnings for 2017 and thereafter.

All other compensation

Relates to parking allowance ($4,410 for all executives) and perquisites. The 2019 perquisite amounts include:

- an executive benefit allowance of $14,000, an executive business allowance of $25,000 and employer contributions to the savings plan of $36,250 for Brian Vaasjo.
- an executive benefit allowance of $14,000, an executive business allowance of $15,000 and employer contributions to the savings plan of $18,865 for Bryan DeNeve.
- an executive benefit allowance of $14,000, an executive business allowance of $15,000 and employer contributions to the savings plan of $17,865 for Darcy Trufyn.
- an executive benefit allowance of $14,000, an executive business allowance of $15,000 and employer contributions to the savings plan of $18,865 for Mark Zimmerman.
- an executive benefit allowance of $14,000, an executive business allowance of $15,000 and employer contributions to the savings plan of $17,730 for Kathryn Chisholm.

INCENTIVE PLAN AWARDS

Outstanding share based and option-based awards

The table below shows each named executive's outstanding incentive plan awards as of December 31, 2019:

	Option-based awards					Share-based awards		
Name	**Grant date**	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in the-money options ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**	**Market value or payout value of vested share-based awards not paid out or distributed ($)**
Brian Vaasjo	March 14/13	62,607	21.76	March 14/20	790,726			-
	March 12/14	180,032	24.80	March 12/21	1,726,507			-
	March 04/15	158,195	24.88	March 04/22	1,504,434			-
	March 01/16	233,163	17.33	March 01/23	3,977,761			-
	March 09/17	166,262	25.53	March 09/24	1,473,081	30,096	1,624,954	-
	March 07/18	177,057	24.47	March 07/25	1,756,405	36,753	649,655	-
	March 07/19	144,191	30.78	March 07/26	520,530	28,038	109,923	-
Bryan DeNeve	March 14/13	-	21.76	March 14/20	-			-
	March 12/14	36,226	24.80	March 12/21	347,407			-
	March 04/15	46,592	24.88	March 04/22	443,090			-
	March 01/16	-	17.33	March 01/23	-			-
	February 28/17	n/a	n/a	n/a	-			32,539
	March 09/17	60,097	25.53	March 09/24	532,459	10,879	587,392	-
	March 07/18	67,481	24.47	March 07/25	669,412	11,461	202,582	-
	March 07/19	58,095	30.78	March 07/26	209,723	9,243	36,235	-
Darcy Trufyn	March 14/13	-	21.76	March 14/20	-			-
	March 12/14	37,394	24.80	March 12/21	358,608			-
	March 04/15	48,004	24.88	March 04/22	456,518			-
	March 01/16	83,617	17.33	March 01/23	1,426,506			-
	March 09/17	59,625	25.53	March 09/24	528,278	10,793	582,766	-
	March 07/18	63,125	24.47	March 07/25	626,200	10,721	189,513	-
	March 07/19	54,955	30.78	March 07/26	198,388	8,743	34,276	-
Mark Zimmerman	March 01/16	68,672	17.33	March 01/23	1,171,544			-
	March 09/17	48,968	25.53	March 09/24	433,856	8,864	478,579	-
	March 07/18	54,984	24.47	March 07/25	545,441	9,339	165,076	-
	March 07/19	58,095	30.78	March 07/26	209,723	9,243	36,235	
Kathryn Chisholm	March 14/13	-	21.76	March 14/20	-			-
	March 12/14	-	24.80	March 12/21	-			-
	March 04/15	36,966	24.88	March 04/22	351,547			-
	March 01/16	54,484	17.33	March 01/23	929,497			-
	March 09/17	38,851	25.53	March 09/24	344,220	7,033	379,736	-
	March 07/18	41,131	24.47	March 07/25	408,020	6,986	123,487	-
	March 07/19	45,476	30.78	March 07/26	164,168	7,235	28,363	-

Notes

- Share-based awards number and market payout value includes PSUs for all named executives.
- Value of unexercised in-the-money options — the greater of zero dollars or the difference between the closing price of our common shares on the TSX as of December 31, 2019 of $34.39 per share and the option exercise price, times the number of outstanding vested and unvested stock options.
- Number of shares or units of shares that have not vested — includes reinvested dividends.
- Market or payout value of share-based awards that have been earned but not vested — the closing price of our common shares on the TSX as of December 31, 2019 of $34.39 per share multiplied by the number of earned PSUs. Earned PSUs reflect the current weighted average performance multiplier.
- Market value or payout value of vested share-based awards not paid out or distributed — On December 31, 2019 no PSUs had vested. The named executives realized 259% of the grant value of the 2017 PSU awards when they vested on January 1, 2020. See Compensation Decisions for 2019 – Payment of 2017 PSU Awards starting on page 58. The value denoted for Bryan DeNeve represents the closing price of our common shares on the TSX of $34.39 as of December 31, 2019 multiplied by the number of DSUs he held as of December 31, 2019.

Incentive plan awards – value vested or earned during the year

Name	Option-based awards – Value vested during the year ($)	Share-based awards – Value vested during the year ($)	Non-equity incentive plan compensation – Value earned during the year ($)
Brian Vaasjo	1,647,831	2,152,744	891,968
Bryan DeNeve	603,013	778,147	374,011
Darcy Trufyn	590,158	772,034	386,726
Mark Zimmerman	491,340	634,056	374,011
Kathryn Chisholm	384,538	503,064	354,326

Notes

- *Option-based awards* – Value vested during the year — the difference between the closing price of our common shares on the TSX on the respective vesting date and the option exercise price of the respective option grant, multiplied by the number of stock options that vested during the year.
- *Share-based awards* – Value vested during the year — values shown are 2016 PSU awards that vested on January 1, 2019 and were paid to the named executives on February 22, 2019.
- *Non-equity incentive plan compensation* – Value earned during the year — values shown are STIP awards. Capital Power does not have a long-term non-equity incentive plan.

Stock options

The following table provides details of the option-based awards exercised by named executives during the year ended December 31, 2019:

Name	Grant date	Number exercised (#)	Exercise Price ($)	Market Price ($)	Value Realized ($)
Brian Vaasjo	March 26, 2012	36,401	$24.27	$28.61	$118,931
	March 26, 2012	60,000	$24.27	$28.58	$194,865
	March 26, 2012	65,000	$24.27	$28.69	$216,177
	March 26, 2012	35,000	$24.27	$29.39	$135,175
	March 26, 2012	35,300	$24.27	$29.42	$137,161
	March 14, 2013	30,000	$21.76	$31.20	$214,179
	March 14, 2013	30,000	$21.76	$30.87	$206,778
	March 14, 2013	30,000	$21.76	$34.40	$287,296
	March 14, 2013	30,000	$21.76	$33.98	$277,730
					$1,788,293
Bryan DeNeve	March 14, 2013	32,743	$21.76	$33.73	$296,919
	March 01, 2016	84,279	$17.33	$30.12	$816,759
					$1,113,678
Darcy Trufyn	March 26, 2012	450	$24.27	$28.95	$1,525
	March 14, 2013	9,000	$21.76	$30.68	$80,280
	March 14, 2013	27,252	$21.76	$32.14	$30,930
					$112,735
Kathryn Chisholm	March 14, 2013	12,000	$21.76	$30.92	$83,104
	March 14, 2013	5,834	$21.76	$30.88	$7,037
	March 12, 2014	18,697	$24.80	$32.10	$103,150
					$193,291

EQUITY COMPENSATION PLANS

We adopted our two equity compensation plans for executives and employees — the 2009 plan and the LTI plan — before our initial public offering in 2009 and did not need shareholder approval under the TSX requirements. The initial public offering prospectus disclosed the two equity compensation plans. The one and only options grant made under the 2009 plan expired on July 8, 2016, and the 2009 plan was terminated by the Board on November 17, 2016.

At our 2017 annual meeting, shareholders approved an increase in the maximum number of shares reserved for issue under our stock option plan. The limit is 9,194,506 (increased from 7,094,506 in 2017), representing approximately 8.7% of the common shares outstanding as at December 31, 2019.

Of the total number of common shares that can be issued under the LTI plan, 639,265 options were issued under the LTI plan in 2019.

The table below gives details about the equity compensation plans as at December 31, 2019:

Plan category	Number of securities to be issued upon exercise of outstanding stock options (a) % of common shares outstanding	Number of securities to be issued upon exercise of outstanding stock options (a) #	Weighted average exercise price of outstanding stock options (b)	Number of securities remaining available for future issue (excluding securities reflected in column (a)) (c) % of common shares outstanding	Number of securities remaining available for future issue (excluding securities reflected in column (a)) (c) #	Total stock options outstanding and available for grant (a) + (c) % of common shares outstanding	Total stock options outstanding and available for grant (a) + (c) #
Equity compensation plans approved by security holders	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Equity compensation plans not approved by security holders	3.1%	3,176,990	$24.66	1.8%	1,887,156	4.9%	5,064,146
Total	3.1%	3,176,990	$24.66	1.8%	1,887,156	4.9%	5,064,146

Note

- Stock options were granted for 2,183,100 common shares under the 2009 plan, and 9,310,746 common shares under the current LTI plan for a total of 11,493,846 options. Of the total granted under the two plans, stock options for 4,186,496 common shares have been cancelled or expired, and stock options for 4,130,360 common shares have been exercised.

The table below shows the stock option overhang, dilution and run rate. See Stock options on page 52 for details.

Rate	Description	2019	2018	2017
Overhang	• the total potential dilution from stock options • the total number of stock options outstanding plus the number of shares available for future issue, divided by the number of common shares outstanding	4.89%	5.91%	6.62%
Dilution	• the current dilution from stock options • the total number of stock options outstanding divided by the number of common shares outstanding	3.07%	3.47%	3.95%
Run rate	• shows the size of annual stock option grants and indicates how quickly the stock option reserve is being used • the total number of stock options issued in a year, divided by the number of common shares outstanding	0.62%	0.70%	0.69%

The Company regularly monitors dilution levels and, where warranted, will consider changes to the LTI plan award mix to manage the situation.

The table below is a summary of outstanding stock options granted by the Board and run rate:

Year	Number of common shares to be issued for stock options previously granted	As a percentage of common shares outstanding at year-end (run rate)
2013	740,304	0.75%
2014	725,571	0.72%
2015	671,804	0.67%
2016	977,624	1.01%
2017	696,057	0.69%
2018	719,050	0.70%
2019	639,265	0.62%

Copies of the plan documents are available on SEDAR (www.sedar.com). See also Stock options on page 52.

RETIREMENT BENEFITS

Pension and other benefits help provide long-term financial security and retain executives.

We have a defined benefit plan (grandfathered employees only) and a defined contribution plan (employees hired since July 9th, 2009) for Canadian employees. US employees may participate in our 401(k) plan.

Canadian management employees are also eligible to participate in our supplemental retirement plan if their pension benefits under either plan are limited because of the maximum pension or contribution limits defined in the *Income Tax Act* (Canada) (Income Tax Act).

Defined benefit plan

Our defined benefit plan is 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) and subject to the limits of the Income Tax Act. Brian Vaasjo, Bryan DeNeve, and Kathryn Chisholm participate in this plan.

Benefits are based on the average of the best five consecutive years of pensionable earnings and years of service. Pensionable earnings are equal to base salary plus actual bonus, up to a maximum of 20% of base salary (beginning January 1, 2004) limited for each year of service after 1991 to the maximum annual accrual under the Income Tax Act.

The benefit formula is 1.4% of the average of the best five consecutive years' annual pensionable earnings up to the average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, plus 2% of the average of the best five consecutive years' annual pensionable earnings in excess of the five-year average YMPE. The benefit formula is multiplied by years of service up to a maximum of 35 years.

Employee and employer contribution rates are explained in the plan rules and are adjusted from time to time by the plan's Board of trustees based on recommendations from the plan's actuary.

In 2019, members were required to contribute 8.39% up to the YMPE plus 12.84% of pensionable earnings in excess of the YMPE, and employers contributed 9.39% up to the YMPE and 13.84% of pensionable earnings in excess of the YMPE.

Participants can receive an unreduced pension when they turn 65 or have 85 points (age plus years of service). The pension is reduced by 3% for each year that the combination of the individual's age and years of service is less than 85 or for each year the participant is younger than 65, whichever provides the lower reduction. No pension is paid if a participant has not completed two years of service.

The pension is indexed annually to 60% of the increase in the Alberta consumer price index.

The table below shows the reconciliation of the accrued benefit obligation for each named executive. The compensatory change reflects:

- the current employer service cost for the supplemental retirement plan (SRP)
- any change in the SRP obligation because of an unexpected increase in compensation during the period
- any change in the obligation because of plan changes
- changes in employer contributions

The actual increase in compensation may be different from the expected increase used in actuarial assumptions and will also vary among the named executives and from year to year.

Name (a)	Number of years of credited service (#) (b)	Annual benefits payable ($) At year end (c1)	Annual benefits payable ($) At age 65 (c2)	Opening present value of defined benefit obligation ($) (d)	2019 Compensatory changes ($) (e)	2019 Non-compensatory changes ($) (f)	Closing present value of defined benefit obligation ($) (g)
Brian Vaasjo	21.6	509,300	526,126	7,226,887	316,184	1,490,564	9,012,869
Bryan DeNeve	17.3	184,165	296,879	2,241,675	148,290	722,546	3,091,745
Kathryn Chisholm	15.3	149,597	231,900	1,825,013	218,857	540,898	2,564,002

Notes

(b) Number of years of credited service

- Brian Vaasjo — the amount reflects credited service under the LAPP and 20 years of credited service under the SRP.
- Bryan DeNeve — the amount reflects credited service under the LAPP and SRP.
- Kathryn Chisholm — the amount reflects credited service under the LAPP and SRP.

(c1 and c2) Annual benefits payable

- (c1) At year end — Accrued Defined Benefit pension under the LAPP and SRP as at December 31, 2019 and payable at normal retirement age of 65 based on highest average earnings, average YMPE and pensionable service as at December 31, 2019. An unreduced pension is payable at the earliest of age 65 or 85 points.
- (c2) At age 65 — the amount payable on retirement at age 65, assumes continued service accrual to age 65 and that the highest average earnings and estimated CPP, at age 65, remain unchanged from December 31, 2019.

(d) Opening present value of defined benefit obligation

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

(e) 2019 Compensatory changes

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).
- Includes $20,766 in LAPP employer contributions for all named executives.

(g) Closing present value of defined benefit obligation

- The defined benefit obligation and service cost for the SRP were determined using the same methods and assumptions used to determine accounting information disclosed in Capital Power's financial statements. Accounting entries for the LAPP are recognized on a defined contribution basis; therefore, only company contributions to the LAPP are included in compensatory changes. As a result, columns (d), (e) and (f) do not sum up to column (g).

Defined contribution plan

Contributions to the defined contribution plan are based on pensionable earnings up to the annual limits imposed under the Income Tax Act. Participants contribute 5% of pensionable earnings, and Capital Power contributes 5%, 6.5% or 8% of pensionable earnings depending on the participant's years of service.

Darcy Trufyn and Mark Zimmerman participate in this plan. The following table is a reconciliation of the accumulated value as at the end of the last two years. The compensatory change is the employer contribution made on their behalf.

Name (a)	Accumulated value at Dec 31, 2018 ($) (b)	2019 Compensatory changes ($) (c)	Accumulated value at Dec 31, 2019 ($) (d)
Darcy Trufyn	295,433	29,994	380,110
Mark Zimmerman	87,417	16,350	128,845

We allow executive participants to suspend their membership and transfer the account balance to a locked-in retirement savings vehicle. We pay a lump sum equivalent to what would have been paid into the plan if they had continued to participate, after deducting any payroll withholding or other taxes.

Executive participants have the right to resume participation in the plan in the future. Company contributions will also resume, but only for future service as of the date the suspension is lifted.

Supplemental retirement plan

All of the named executives participate in our SRP, which is non-registered, unfunded and non-contributory. It provides benefits that cannot be provided under our Canadian pension plans because of maximum pension or contribution limits under the Income Tax Act.

Pensionable earnings include base salary and target bonus.

If a named executive was a member of the EPCOR supplemental pension plan (SPP) before our inception in July 2009, the terms of the plan are the same and we have assumed all obligations from EPCOR relating to entitlements accrued under their SPP. The SRP provides a defined benefit pension that is equal to 2% of the average pensionable earnings in excess of an earnings threshold, multiplied by years of service after January 1, 2000, and has the same early retirement and indexing provisions as our defined benefit plan. All of the named executives participate in the defined benefit SRP except for Darcy Trufyn and Mark Zimmerman.

For new hires after July 2009, the SRP provides benefits that exceed the contribution limits of the Income Tax Act and are on a defined contribution basis. Darcy Trufyn and Mark Zimmerman participate in the defined contribution SRP.

An executive who chooses to withdraw from the defined contribution plan is still eligible to participate in the SRP for earnings that exceed the pension maximum or contribution limits of the *Income Tax Act*.

OTHER BENEFITS

Other benefits support employee wellbeing and are based on the executive's scope of responsibilities.

We review the plans periodically to assess their competitiveness and whether they continue to meet our business and human resources objectives.

Health and welfare benefits
Benefit plans are designed to protect the health of employees and their dependents and cover them in the event of death or disability. Executives participate in the same benefits program as our other full-time employees.

Executive benefit allowance
In addition to health and welfare benefits, Canadian-based executives also receive an executive benefit allowance to offset their costs. The allowance is paid biweekly.

Executive business allowance
Executives receive an annual taxable allowance to offset the cost of various business-related expenses like memberships and other out-of-pocket costs associated with performing their duties.

Financial planning allowance
Brian Vaasjo is eligible to receive an annual financial planning allowance of up to $5,000. The other named executives are eligible to receive an annual financial planning allowance of up to $3,500.

Savings plan
Our savings plan allows all Canadian-based, non-unionized employees to contribute up to 100% of their base salary towards a range of investment options, including our common shares. Participation is voluntary.

We match employee contributions up to a maximum of 5% of base salary.

TERMINATION AND CHANGE OF CONTROL

We have employment agreements with each named executive. See Appendix B for a description of the compensation and benefits for each named executive if their employment is terminated.

The table below shows the estimated incremental amounts that would be paid if the named executive had been terminated on December 31, 2019 because of a termination without cause or a double trigger change of control (which requires both a change of control and termination of the executive for good reason). No incremental amounts are triggered by the other termination scenarios.

			For Termination without Cause			For Double Trigger Change of Control		
Name	Length of service for calculating the severance payment	Estimated severance ($)	Estimated value of vested stock options ($)	Estimated value of vested Share Units ($)	Total including Estimated Severance ($)	Estimated value of vested stock options ($)	Estimated value of vested Share Units ($)	Total including Estimated Severance ($)
Brian Vaasjo	24 months	3,811,720	1,250,005	3,135,105	8,196,830	2,182,494	4,246,971	10,241,184
Bryan DeNeve	24 months	1,352,128	470,531	1,095,034	2,917,693	833,484	1,450,216	3,635,828
Darcy Trufyn	22 months	1,160,178	791,947	1,028,032	2,980,156	791,947	1,361,940	3,314,065
Mark Zimmerman	16 months	888,328	717,969	880,173	2,486,471	717,969	1,198,642	2,804,940
Kathryn Chisholm	24 months	1,280,735	550,921	682,917	2,514,574	550,921	926,546	2,758,203

Notes

- The information in the table is provided for example purposes only using the executives' current contracts.

Estimated severance
Severance payment includes salary, STIP at target, annual company benefits, pension, and savings plan contributions and annual business allowance, for the length of service noted in the table.

- For Brian Vaasjo, estimated severance includes the severance payment plus a lump sum equivalent to 12 months of short-term incentive award at target.

Estimated value of vested stock options
The difference between $34.39, the closing price of our common shares on the TSX on December 31, 2019, and the respective exercise price for each options grant, times the number of outstanding unvested stock options that would vest under the termination scenario.

Estimated value of PSUs
The estimated payout value of PSUs is based on the closing price of our common shares on the TSX on December 31, 2019 of $34.39 per share multiplied by the current weighted average performance multiplier.

4. Other Information

Copies of the circular and our most recent AIF and integrated report (which includes our management's discussion and analysis and consolidated financial statements for the year ended December 31, 2019) are available free of charge:

- go to our website (www.capitalpower.com), or
- request a copy from our Corporate Secretary, Capital Power Corporation, 12th Floor, 10423 – 101 Street, Edmonton, Alberta T5H 0E9.

Our disclosure documents and any reports, statements or other information we file with Canadian Securities Administrators or other similar regulatory authorities are available on SEDAR (www.sedar.com).

We want your feedback

We work hard to maintain a comprehensive investor communications program, and welcome your feedback on our website, disclosure documents and other corporate information, including our:

- integrated report
- annual information form
- quarterly reports
- management proxy circular
- presentations and webcasts
- dividend history
- ethics policy
- investment overview
- community investment
- consultation initiatives

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W. www.capitalpower.com

The Board has approved the contents of this circular and has authorized us to send it to all shareholders of record.

By order of the Board,

Colleen Legge

Colleen Legge
Corporate Secretary
Capital Power Corporation
Edmonton, Alberta

March 4, 2020

Appendix A

Board of Directors – Terms of Reference

I. INTRODUCTION

A. The Board of Directors (the "Board") has the power to manage, or supervise the management of, the business and affairs of Capital Power Corporation (the "Corporation") except as limited or restricted by the *Canada Business Corporations Act* (the "Act") and the Corporation's Articles and By-laws.

B. The Corporation hereby adopts these terms of reference for the Board, which set out the specific responsibilities to be discharged by the Board. The purpose of these terms of reference is to assist the Board in annually assessing its performance.

C. The President and Chief Executive Officer (the "CEO") and Management formulate strategies and plans and present them to the Board for approval. The Board approves the goals of the business, the objectives and policies within which it is managed, and then assumes a stewardship role and evaluates Management performance. Reciprocally, the CEO keeps the Board fully informed of the Corporation's progress towards the achievement of its goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.

II. BOARD COMPOSITION

A. The Board will consist of a minimum of 3 and a maximum of 12 Directors.

B. A majority of the members of the Board will be independent pursuant to National Policy 58-201 Corporate Governance Guidelines (as implemented by the Canadian Securities Administrators and as amended from time to time) ("NP 58-201").

C. The Board should consist of professional and competent members with an appropriate mix of skills and abilities to ensure that the Board carries out its duties and responsibilities in the most effective manner and that the Corporation meets its legal, financial and operational objectives.

D. The Directors will be elected at the annual general meeting of the Corporation each year and will hold office until their successors are duly elected or appointed.

III. RESPONSIBILITIES

All of the following responsibilities are undertaken within the parameters and restrictions established by the Act, the Articles, and the By-laws.

A. Managing the Affairs of the Board

The Board supervises the management of the affairs of the Board by establishing committees (the "Committees") to provide more detailed review of important areas of responsibility, delegating certain of its authorities to Management, reserving certain powers to itself and making certain recommendations to the shareholders. This process includes:

i) appointing Committees and/or advisory bodies, which at a minimum shall be comprised of an Audit Committee, a Corporate Governance, Compensation and Nominating Committee (the "CGC&N Committee") and a Health, Safety and Environmental Committee;

ii) delegating responsibilities to, and seeking the advice of, the Committees and establishing and periodically reviewing/approving their respective terms of reference;

iii) approving terms of reference for the Chair and Individual Directors;

iv) implementing processes to evaluate the performance of the Board, the Committees and the Directors in fulfilling their respective responsibilities;

v) on the recommendation of the CGC&N Committee, implementing processes for new Director orientation and ongoing Director development;

vi) appointing the Secretary;

vii) on the recommendation of the CGC&N Committee, implementing effective governance processes to fulfill its responsibility for oversight and control;

viii) making recommendations to the shareholders in the following areas:

a) on the recommendation of the CGC&N Committee, director nominees, other than the nominees of EPCOR Utilities Inc.;

b) on the recommendation of the Audit Committee, the appointment of the external auditors; and

c) any special business items to be addressed by the shareholders that may be brought forward by the Board or the Corporation from time to time;

ix) delineating the authority to be retained by the Board and that to be delegated to the Committees and the CEO;

x) publishing a corporate governance statement annually, describing how each of the principles of good governance in NP 58-201 (or its successor) is put into practice;

xi) at least annually, surveying the management, development, effectiveness and performance of the Board, including reviewing and considering any amendments to be made to these terms of reference; and

xii) considering as a Board and not delegating to any Committee:

a) any submission to the shareholders of the Corporation of a question or matter requiring the approval of the shareholders;

b) the filling of a vacancy among the Directors or the Corporation's auditor or the appointment of additional Directors;

c) the issuance of securities, including shares of a series, except as authorized by the Board;

d) the declaration of dividends;

e) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

f) the payment of a commission to any person in consideration of the purchase or agreement to purchase shares of the Corporation from the Corporation or from any other person, or the procurement or agreement to procure purchasers for any shares of the Corporation;

g) approval of the annual audited financial statements, quarterly financial statements and quarterly reports, management proxy circulars, take-over bid circulars, directors' circulars, prospectuses, annual information forms and other disclosure documents required to be approved by the directors of a corporation under securities laws, regulations or rules of any applicable stock exchange; or

h) the adoption, amendment or repeal of the By-laws.

B. Strategy and Plans

The Board has the responsibility to:

i) participate with Management in developing and adopting the Corporation's strategic planning process including:

a) providing input to Management on emerging trends and issues;

b) reviewing and approving, on an annual basis, Management's strategic plans (long term business plans), which will take into account, among other things, the opportunities, risks and sustainability of the business of the Corporation; and

c) reviewing and approving, on an annual basis, the Corporation's financial objectives, plans and actions, including significant capital allocations and expenditures;

ii) approve annual capital and operating budgets which support the Corporation's ability to meet the objectives established in the strategic plan; and

iii) monitor the Corporation's progress towards its goals, and to revise and alter its direction through Management in light of changing circumstances.

C. Management and Human Resources

With the assistance of the CGC&N Committee, the Board will be responsible for:

i) the appointment, termination and succession of the CEO;

ii) approving CEO compensation;

iii) approving terms of reference for the CEO;

iv) monitoring CEO performance and reviewing CEO performance at least annually, against agreed upon written objectives;

v) providing advice and counsel to the CEO in the execution of the CEO's duties;

vi) approving compensation and benefits for directors;

vii) approving decisions relating to senior Management, including the:

  a) appointment and termination of executive officers; and

  b) compensation and benefits for executive officers;

viii) satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Corporation;

ix) ensuring succession planning programs are in place, including programs to train, develop and monitor senior Management;

x) approving certain matters relating to all employees, including:

  a) the overarching compensation policy/program for employees;

  b) new benefit programs or material changes to existing programs; and

  c) material benefits granted to retiring employees outside of benefits received under approved pension and other benefit programs;

xi) satisfying itself as to the oversight and governance of, and approving all material amendments to, the Corporation's pension plans;

xii) ensuring there are adequate procedures for the Board to be apprised on a timely basis of concerns relating to unethical behavior, fraudulent activities or violation of the Corporation's policies.

D. Business and Risk Management

The Board has the responsibility to:

i) with the assistance of the Audit Committee, monitor corporate financial performance against the operating and capital plans, including assessing operating results to evaluate whether the Corporation's business is being properly managed and meeting its objectives;

ii) ensure Management identifies the principal risks of the Corporation's business and implements appropriate systems to manage these risks;

iii) with the assistance of the Health Safety and Environment Committee, monitor and assess the effectiveness of the Corporation's employee health and safety and environmental stewardship;

iv) receive, at least annually, reports from Management and, where applicable, from the Committees, on matters relating to, among others, ethical conduct, human rights, and related party transactions;

v) understanding principal risks and determine whether the Corporation achieves a proper balance between risk and returns, and that Management ensures that systems are in place to address the risks identified; and

vi) with the assistance of the Audit Committee, assess and monitor management control systems, including evaluating and assessing information provided by Management and others (e.g., internal and external auditors) about the effectiveness of management control systems.

E. Financial and Corporate Issues

The Board has the responsibility to:

i) with the assistance of the Audit Committee, at least annually, provide oversight of a review to ensure the implementation and integrity of the Corporation's internal control and management information systems;

ii) with the assistance of the Audit Committee, monitor operational and financial results;

iii) on the recommendation of the Audit Committee, approve annual and quarterly financial statements, and approve the release thereof by Management;

iv) declare dividends from time to time;

v) approve debt financing, banking resolutions and significant changes in banking relationships;

vi) review coverage, deductibles and key issues regarding corporate insurance policies;

vii) approve commitments that may have a material impact on the Corporation; and

viii) approve the commencement or settlement of litigation that may have a material impact on the Corporation.

F. Shareholder and Corporate Communications

The Board has the responsibility to take all reasonable steps to:

i) ensure the Corporation has in place effective communication processes with shareholders and major stakeholders;

ii) 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;

iii) on the recommendation of the Audit Committee, ensure the financial results are reported fairly and in accordance with generally accepted accounting principles; and

iv) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation.

G. Policies and Procedures

The Board has the responsibility to take all reasonable steps to:

i) with the assistance of the CGC&N Committee (where applicable), approve and monitor compliance with all significant policies and procedures by which the Corporation is operated;

ii) with the assistance of the CGC&N Committee, direct Management to ensure the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;

iii) on recommendation from the relevant Committee, review and approve significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment);

iv) with the assistance of the CGC&N Committee, develop and adopt corporate governance principles and guidelines for the Corporation and review such corporate governance guidelines annually; and

v) with the assistance of the CGC&N Committee, adopt and monitor a written code of business conduct and ethics applicable to all directors, officers and employees of the Corporation addressing:

a) conflicts of interest and the procedures to be established and monitored for identifying and dealing with conflicts of interest;

b) protection and proper use of corporate assets and opportunities;

c) confidentiality of corporate information;

d) fair dealing with the Corporation’s security holders, customers, suppliers, competitors and employees;

e) compliance with applicable laws, rules and regulations; and

f) reporting of any illegal or unethical behaviour.

IV. GENERAL LEGAL OBLIGATIONS OF THE BOARD OF DIRECTORS

A. The Board is responsible for directing Management to ensure legal requirements have been met, and documents and records have been properly prepared, approved and maintained.

B. The Act includes the following as legal requirements for Directors:

i) to act honestly and in good faith with a view to the best interests of the Corporation;

ii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable situations; and

iii) to act in accordance with the obligations contained in the Act, and any other relevant legislation, regulations and policies, and the Corporation’s Articles and By-laws.

V. MEETINGS

Meet at least four times per year and, wherever feasible, receive meeting materials at least five (5) business days in advance of meetings and review meeting materials prior to attending each meeting.

Appendix B

Employment Contracts – Termination and Change of Control Benefits

The following table summarizes the treatment of the named executives' compensation and benefits if they are no longer employed by Capital Power. *Change of control* and *termination without cause/resignation* are based on adverse changes to the terms of employment.

	Resignation	Retirement/ Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
Salary and benefits	All salary and benefits programs end.					
STIP	Annual STIP payment is forfeited.	Annual STIP payment is paid at target on a pro rata basis.			Annual STIP payment is not paid.	Annual STIP payment is paid at target and included in severance
Stock options	All unvested options under the LTI plan are forfeited. Vested options granted under the LTI plan expire on the original expiry date or 30 days after termination of employment, whichever is earlier.	Except as noted below for Brian Vaasjo in the case of retirement, unvested options under the LTI plan continue to vest and can be exercised for 12 months following termination of employment before they expire. Vested options expire on the original expiry date or 12 months after the date of termination, whichever is earlier. For Brian Vaasjo, in respect of options granted under the LTI Plan on or after January 1, 2014, unvested options continue to vest and can be exercised for 36 months following the date of retirement before they expire. Vested options expire on the original expiry date or 36 months after the date of retirement, whichever is earlier.		Except as noted below for Brian Vaasjo and Bryan DeNeve, all unvested options under the LTI plan will vest and expire on the original expiry date or 30 days after termination of employment, whichever is earlier. For Brian Vaasjo and Bryan DeNeve, in respect of options granted under the LTI plan on or after January 1, 2015, all unvested options will continue to vest and can be exercised for 12 months following termination of employment before they expire.	All unvested and vested options under the LTI plan are forfeited.	All unvested options under the LTI plan will vest and expire on the original expiry date or 30 days after termination of employment, whichever is earlier.
Share Units	All PSUs are forfeited. DSUs are fully vested upon grant. Payout occurs within 90 days of the date of termination.	Except as noted below for Brian Vaasjo in the case of retirement, vesting of PSUs is pro-rated to the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. DSUs are fully vested upon grant. Payout occurs within 90 days of the date of termination. For Brian Vaasjo, PSUs continue to vest after the date of retirement until fully vested and are based on actual performance to the end of the 3-year vesting period.	Vesting of PSUs is pro-rated to the date of termination and based on target performance. Payouts occur within 90 days of the date of termination. DSUs are fully vested upon grant. Payout occurs within 90 days of the date of termination.	Vesting of PSUs is pro-rated to the date of termination and based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. DSUs are fully vested upon grant. Payout occurs within 90 days of the date of termination.	All PSUs are forfeited. DSUs are fully vested upon grant. Payout occurs within 90 days of the date of termination.	All unvested PSUs vest immediately and pay out based on actual performance to the end of the quarter preceding the date of termination. Payouts occur within 90 days of the date of termination. DSUs are fully vested upon grant. Payout occurs within 90 days of the date of termination.
Pension LAPP/DB SRP	Vested pension is paid as a commuted value or deferred benefit.	Vested pension is paid as a deferred or immediate benefit or commuted value.	Vested pension is paid as a commuted value or deferred (if less than 55) or immediate benefit (if 55 or older).		Vested pension is paid as a commuted value or a deferred (if less than 55) or immediate benefit (if 55 or older). Vested benefit under the SRP may be forfeited at Capital Power's sole discretion.	Vested pension is paid as a commuted value or a deferred (if less than 55) or immediate benefit (if 55 or older).

	Resignation	Retirement/ Disability	Death	Termination without cause	Termination for cause	Double trigger change of control
DC RPP/SRP	Vested DC account balance as lump sum or annuity. No additional SRP accrual contributions made in year of termination if termination date is prior to Dec 31.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP accrued. Vested pension may be forfeited at Capital Power's sole discretion.	Vested DC account balance as lump sum or annuity. Employer contribution for SRP benefits accrued.
Severance* *(Brian Vaasjo)*	Not applicable.			Severance is provided representing Severance Payment for 24 months plus the number of months between the termination date and June 1, 2023.	Not applicable.	Severance is provided representing Severance Payment for 24 months plus the number of months between the termination date and June 1, 2023.
Severance* *(Kathryn Chisholm)*	Not applicable.			Severance is provided representing the Severance Payment for 14.5 months plus one month for each year of service with Capital Power to a maximum of 24 months.	Not applicable.	Severance is provided representing the Severance Payment for 14.5 months plus one month for each year of service with Capital Power to a maximum of 24 months.
Severance* (*Bryan DeNeve*)	Not applicable.			Severance is provided representing the Severance Payment for a total of 18.8 months plus one month for each year of service with Capital Power (from January 1, 2011) to a maximum of 24 months.	Not applicable.	Severance is provided representing the Severance Payment for 12 months plus 1 month of each year of service with EPCOR, plus one month for each year with Capital Power to a maximum of 24 months.
Severance* (Darcy Trufyn)				Severance is provided representing the Severance Payment for 12 months plus an additional one (1) month for each year worked with CPC to a maximum of 24 months.	Not applicable.	Severance is provided representing the Severance Payment for 12 months plus an additional one (1) month for each year worked with CPC to a maximum of 24 months.
Severance* (Mark Zimmerman)				Severance is provided representing the Severance Payment for 12 months plus an additional one (1) month for each year worked with CPC to a maximum of 18 months.	Not applicable.	Severance is provided representing the Severance Payment for 12 months plus an additional one (1) month for each year worked with CPC to a maximum of 18 months.

Note

- “Severance Payment” includes salary, STIP at target, annual company benefits, pension and savings plan contributions and annual business allowance.

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