2021 Integrated Annual Report

Powering a sustainable future for people and planet

Capital Power

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About this report

In this Integrated Annual Report (IAR), we align our financial and environmental, social and governance (ESG) reporting, and the combined impact on our total value creation. We believe this format provides the most comprehensive view of our priorities, performance and our strategy for long-term success. Elements of the conventional management's discussion and analysis, including the overview of our business and corporate structure, corporate strategy and outlook and targets for 2022, are integrated into the Introduction section on pages 2–7 and Our Strategy & Targets section beginning on page 8. The remainder of the former Management's Discussion and Analysis (MD&A) has been incorporated within our IAR in the Business Report section beginning on page 57.

This report, which provides an overview of our performance from January 1, 2021, through December 31, 2021, includes a summary of our management approaches and highlights priority topics identified during our 2018 ESG materiality assessment.[1] It also includes a Global Reporting Initiative (GRI) content index prepared in accordance with the GRI Standards (Core option) and Sustainability Accounting Standards Board (SASB) index that addresses relevant SASB metrics related to the Infrastructure and Renewable Resources & Alternative Energy sector standards.

All dollar figures are in Canadian funds.

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

KPMG assurance

Capital Power engaged KPMG LLP to provide independent, external assurance on select performance information contained within this report. The symbol ☑ throughout the report indicates metrics that have been assured for the 2021 year. KPMG's assurance statement can be found beginning on page 120.

Additional reports

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

› You can find our 2020 IAR on our corporate website.

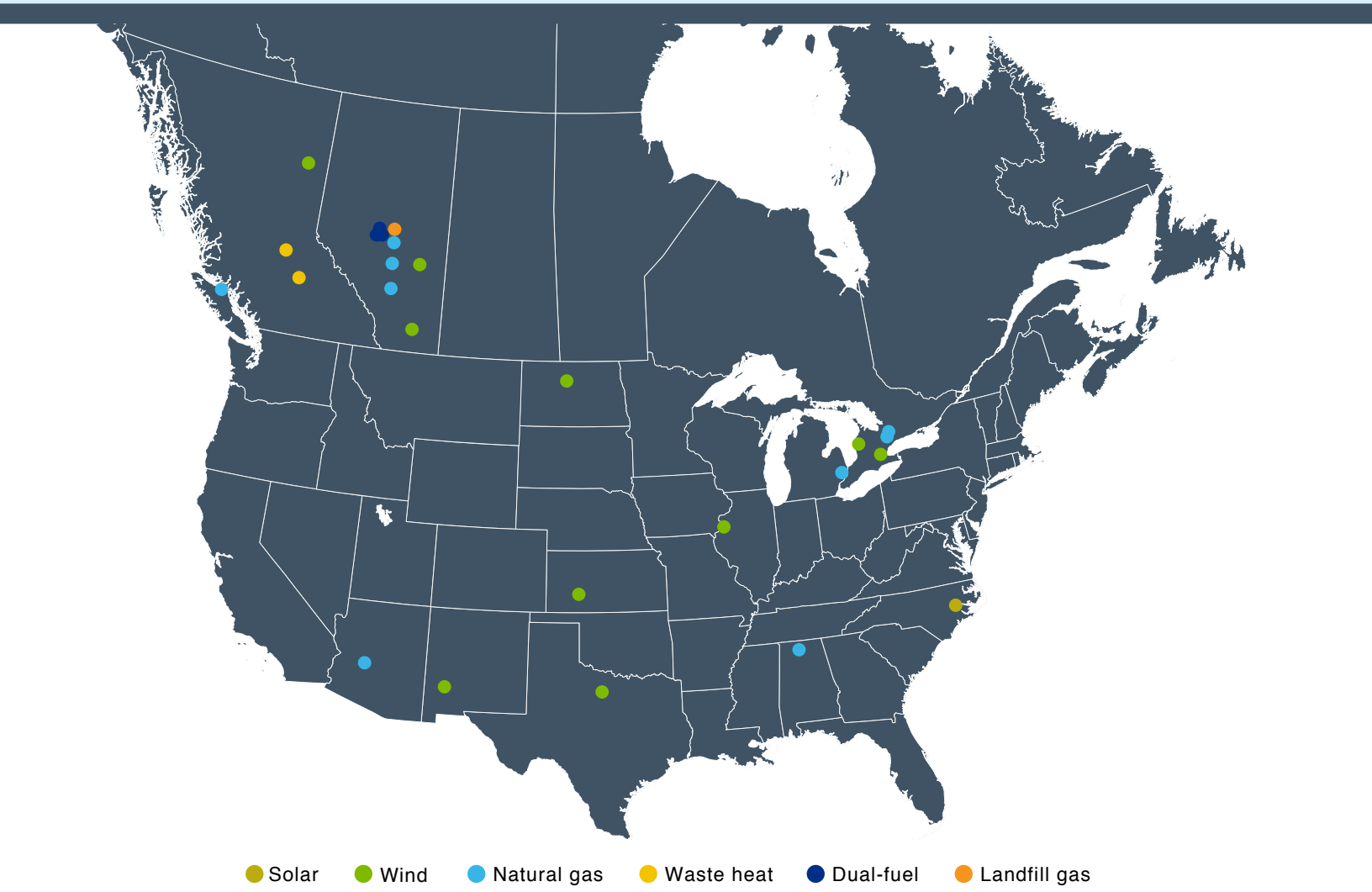
[1] For a full description of our 2018 ESG materiality assessment, please see page 12 of our 2020 IAR. We intend to conduct our next ESG materiality assessment in 2022.

GRI 102-15, 102-46, 102-47, 102-50, 102-54, 102-56, 201-103, 203-103, 204-103, 302-103, 303-103, 304-103, 305-103, 306-103, 307-103, 308-103, 401-103, 402-103, 403-103, 404-103, 405-103, 406-103, 413-103, 414-103, 415-103, 419-103, INN-103, ASE-103, DRR-103, CSE-103, TND-103

About Capital Power

We are a growth-oriented, publicly traded (TSX: CPX) North American independent power producer headquartered in Edmonton, Alberta, with a corporate purpose *to power a sustainable future for people and planet*. We create innovative electricity solutions to electrify the world reliably and affordably while protecting the planet for future generations. We build, own and operate high-quality, utility-scale generation facilities that include renewables such as wind, solar and waste heat, and thermal such as natural gas and coal.[1] We are committed to be off coal in 2023 and are making investments in carbon capture, utilization and storage to reduce our carbon impact from natural gas generation in the future.

We work to create a brighter world powered by responsible energy, through the development, acquisition, ownership and safe operation of renewable and thermal power generation facilities. Currently, we own approximately 6,600 megawatts (MW) of power generation capacity at 26 facilities. Projects in advanced development include approximately 425 MW of owned renewable generation capacity in North Carolina and Alberta and 512 MW of incremental natural gas combined cycle capacity, from the repowering of Genesee 1 and 2 in Alberta.



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

By the numbers[1]

26
Facilities

21%
Generation capacity from renewables

773
Full-time employees

90%
Facility availability

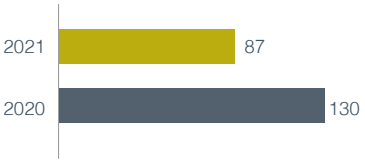
6,600MW
Generation capacity

Financial highlights

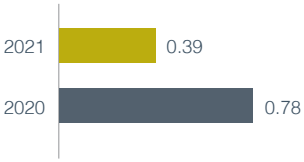
Revenues and other income ($M)
$1,990 million

Adjusted EBITDA ($M)[2]
$1,124 million

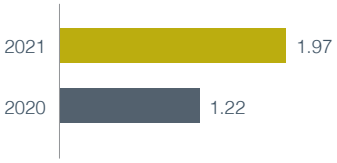
Net income ($M)
$87 million



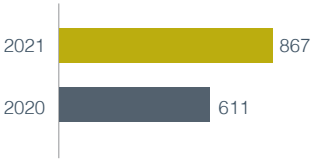
Basic earnings per share ($)
$0.39 per share



Normalized earnings per share ($)[2]
$1.97 per share



Net cash flows from operating activities ($M)
$867 million



Adjusted funds from operations ($M)[2]
$605 million

Adjusted funds from operations per share ($)[2]
$5.40 per share

[1] As of December 31, 2021.
[2] See Non-GAAP Financial Measures and Ratios, page 60.

Purpose

To power a sustainable future for people and planet

Vision

Electrifying the world reliably and affordably while protecting the planet for future generations

Mission

Implementing and operating innovative energy solutions

Values

- We manage our impact on the Environment to leave a healthy planet
- We value equity, diversity and inclusion, listen with open minds, and treat all People with respect
- We are committed to the Safety and Wellbeing of our people
- We act with Integrity and take responsibility for our decisions and actions
- We embrace Innovation by fostering creativity and harnessing technology

Increasing our velocity to net carbon neutrality by 2050

Brian Vaasjo
President & Chief Executive Officer

Jill Gardiner
Board Chair

Resilience, optimization and innovation defined 2021 for Capital Power as our people executed on our decarbonization roadmap, diligently kept the lights on for our communities despite the ongoing challenges posed by the COVID-19 pandemic, and further positioned our business to reliably and affordably meet society's sustainable power needs as we collectively tackle climate change.

Powered by purpose

Sustainability is our strategy – it is integral to our DNA and guides each decision we make. With environmental, social and governance priorities embedded across our business, we have further elevated the role sustainability plays in our work by establishing a corporate purpose: *to power a sustainable future for people and planet*. Our purpose is our north star as we pursue a bold decarbonization strategy that is grounded in the principles of reliability and affordability. The agility of our people and guidance from our purpose will help us to navigate through challenges, turning threats into opportunities, in a fast-changing world. We are focused on increasing efficiency and reducing emissions, with the aim to mitigate them altogether. Accelerated growth in our renewables portfolio and significant expansion of our renewables pipeline further positions us well for the future. We are demonstrating leadership as a responsible power generator by taking action today to build the carbon neutral energy system for our future.

Excellence in action

In 2021, our experts and innovators continued to thrive – collaborating, seeking creative solutions and exceeding expectations as they delivered on several initiatives outlined in our roadmap to net carbon neutrality by 2050 (see page 23).

The Genesee Generating Station was a hub of innovation in 2021, with tremendous progress made to decarbonize this critical asset in Alberta by moving off coal six years ahead of government mandate and applying game-changing technology that is hydrogen and carbon capture ready. The repowering project for Genesee Units 1 and 2 is well underway and once complete, the units will utilize best-in-class natural gas combined cycle technology – making them the most efficient natural gas units in Canada, providing reliable and cost-effective energy, and contributing to a 40% reduction in emissions at the Genesee site. There were also exciting developments in our carbon capture initiatives, including plans developed for a carbon capture and sequestration project on site and collaboration with Enbridge to sequester emissions from this project at their proposed open access carbon hub. We also announced plans for our first-ever storage project: up to a 210 MW Battery Energy Storage System (BESS), the largest in Canada, to be integrated with the repowered Genesee Units 1 and 2.

Our momentum in expanding our renewables portfolio was a highlight of 2021. A major achievement for the year was the on-schedule and under-budget completion of the phase 2 and 3 expansions of Whitla Wind, making it Alberta's largest wind facility at 353 MW. We also kicked off construction of our Strathmore and Enchant solar projects and announced plans to move forward with a 151 MW phase 2 expansion of our Halkirk Wind facility in Alberta. Additionally, we ensured our renewables development pipeline remained robust with the acquisition of a portfolio of 20 solar development sites in the United States, representing a total potential generation capacity of 1,298 MW and the option to co-locate more than 1,200 megawatt hours (MWh) of energy storage. At the end of 2021, we had approximately 425 MW of renewables projects in advanced development in Alberta and North Carolina, including five solar projects and one wind project, expanding upon our nearly 1,400 MW of renewable generation already in operation.

We are also committed to maximizing the benefits of clean energy by empowering other companies to meet their sustainability goals. In 2021, we collaborated with industry-leading, international companies to help them reach their targets through customized renewable energy solutions. We announced a 15-year renewable energy agreement with Labatt Breweries of Canada, advancing Budweiser's 100% renewable energy commitment, and a 15-year renewable energy agreement with Dow Chemical Canada ULC, sourcing power from our Enchant Solar project and phases 2 and 3 Whitla Wind respectively.

Protecting our planet

We are focused on growing our Company to deliver long-term value while protecting our planet for the benefit of future generations. We have committed to sustainability targets (see page 17) that reduce our impacts, improve our performance and cultivate a future for carbon neutral power generation.

We are proud to share that the Company is on track or ahead of schedule to deliver on our emissions reduction targets. We are also pleased to confirm that in 2021 we achieved our sustainability targets to develop company-wide water management and sustainable sourcing strategies. Both are designed to enhance the resilience and sustainability of our operations while positively contributing to society and ensuring our environment can thrive over the long term.

People in focus

Equity, diversity and inclusion priorities continued to be a focus for our Company as we made progress on our journey to enhance gender equity. Leading from the top, we are proud to have women make up 43% ☑ of our Executive Team and 44% of our Board of Directors. With the aim to expand this success at every level of our Company, we have developed and announced new gender equity goals to be enacted over the forthcoming year, including targets for 30% of new hires to be women across our entire workforce and to increase women in leadership positions by 10% by 2024. Additionally, we are completing a baseline survey of diversity beyond gender to support the development of meaningful and measurable targets that will help us increase representation company-wide. In 2021, we also became a founding partner of The Prosperity Project and are supporting their "Rosie the Riveter" Mentoring Program, an initiative to inspire and empower women and girls to pursue careers in science, technology, engineering and mathematics (STEM), skilled trades and leadership roles.

We continue to transform the way we do business for the good of all people. In 2021, we developed an Indigenous relations strategy that focuses on education and awareness and partnering with Indigenous communities on economic opportunities, which we will be advancing in the years ahead.

Looking ahead

Through our achievements in 2021, we have increased our velocity to meet our net carbon neutral by 2050 target – positioning our Company to deliver long-term value for our stakeholders and the environment. Our strategic focus on resilience, optimization and innovation underpins our ability to decarbonize power generation and successfully meet the challenges posed by climate change head-on. Having strategically placed assets contributes to our financial strength, as seen through our ability to meet our revised higher financial guidance, achieve a record share price and secure $1 billion in sustainability-linked credit facilities over the past year. As we continue to evolve in 2022, we remain committed to financial strength, stability and disciplined growth. Specifically, we are maintaining:

- Our targeted returns on growth opportunities and existing assets to support an average Total Shareholder Return of 10% to 12%
- Our pursuit of high-quality investments that will provide the opportunity to place $500 million of growth capital per year
- Annual dividend increase guidance of 5% through to 2025 to be supported by strong, stable cash flows

Finally, we would like to thank all our stakeholders for their loyalty and ongoing support, and our Board of Directors and our Capital Power team for their dedication to powering a sustainable future for people and planet.

Sincerely,

Brian Vaasjo
President & Chief Executive Officer

Jill Gardiner
Board Chair

Strategy & Targets

In this section:

- Trends shaping our industry
- Our strategy
- A discussion with our Chief Sustainability Officer & Chief Financial Officer
- Performance targets for 2022
- Risk overview
- Value creation

Trends shaping our industry

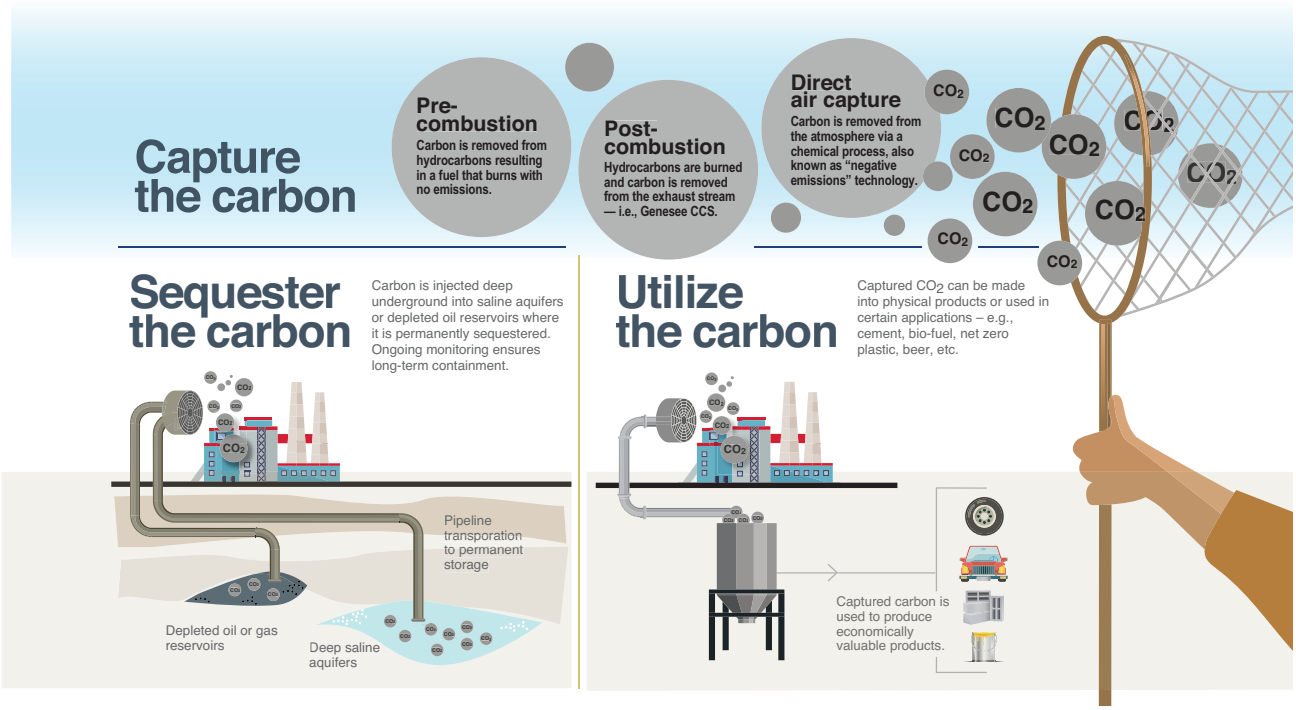
Coupled with increasing urgency around climate change and advancing technology, decarbonization is accelerating faster than anticipated. Government policy combined with increasing corporate demand for low-carbon sources of power are expected to continue to drive a dramatic increase in new renewable installations in North America during the next decade.

In addition, there will continue to be demand for well-positioned, efficient natural gas units as baseload coal generation is retired from the system. By 2030, in the United States alone, the U.S. Energy Information Administration (EIA) forecasts that 240 GW of new generation will be added, including 115 GW of solar, 65 GW of wind and 59 GW of natural gas.[1]

Carbon capture, utilization and storage (CCUS) technologies are also expected to play an increasing role as both Canada and the United States seek to meet their emission reduction targets over this decade. The IEA Roadmap to Net Zero by 2050 envisions CCUS growing to 7.6 billion tonnes of CO_2 per year by 2050, while economists predict that 76 Mt of CO_2 could be eliminated from Canada's energy sector with a $12.5 billion investment in CCUS.[2]

Decarbonization is being accelerated by:

- Government policy incentives created through tax credits and renewable targets at the federal, provincial and/or state level
- Emerging business models that will enable CCUS deployment, with the focus shifting from large, standalone facilities to the development of industrial hubs to share CO_2 transport and storage infrastructure
- Continuing advances in technology, reducing relative costs and increasing efficiency
- Advancement in storage technology, facilitating renewable generation growth by supporting the integration of an increasing share of intermittent energy sources



[1] EIA Annual Energy Outlook 2021.

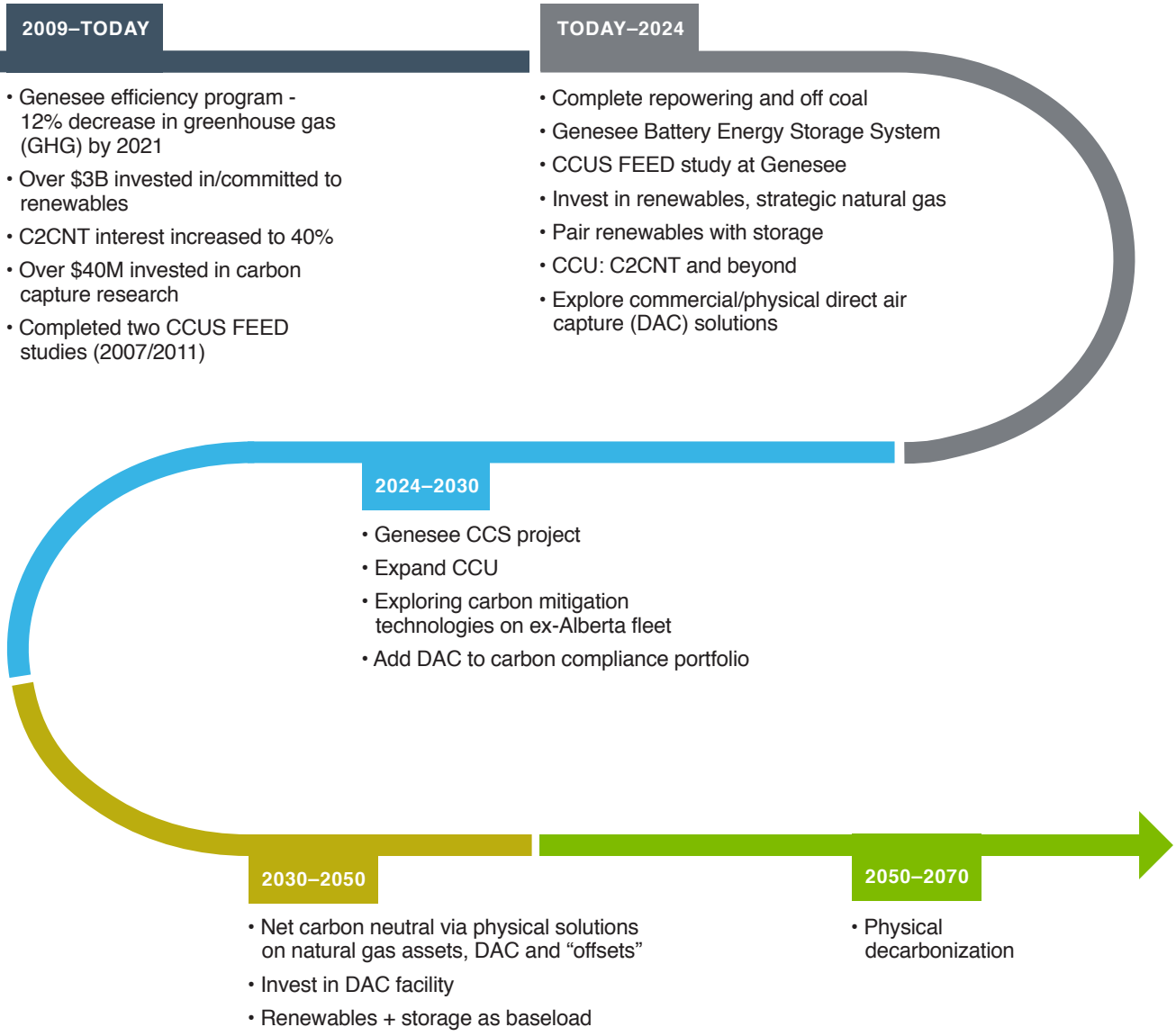
[2] "The $2 Trillion Transition: Canada's Road to Net Zero," RBC Thought Leadership, October 2021.

Our strategy

Capital Power's strategy focuses on the development and operation of our core technologies: wind, solar, natural gas and storage. Our pathway towards net carbon neutral also includes the advancement of decarbonization technologies such as carbon capture, utilization and storage, hydrogen and direct air capture.

Our strategy will help ensure that we live up to our purpose of *powering a sustainable future for people and planet* and remain aligned with our vision to *electrify the world reliably and affordably*.

Our roadmap to 2050

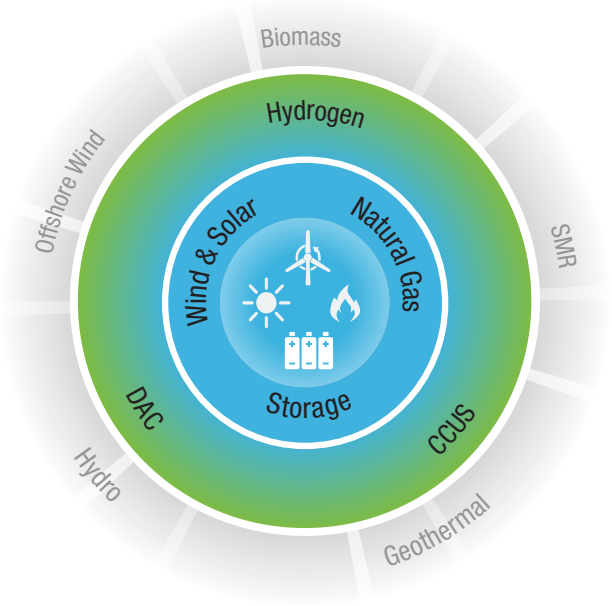


Our toolbox to reach our net carbon neutral goal

Underpinning our strategy for growth and responsible energy, as shown in the graphic below, are investments in renewable power, storage and natural gas with carbon conversion, hydrogen-ready technology and DAC. We believe this combination of technologies will be key to providing reliable and competitively priced energy, while also decarbonizing the power grid and achieving our financial and sustainability targets.

The inner circle contains those core technologies that are currently in operation, development or under construction in our portfolio. The middle ring contains technologies to which we are currently dedicating resources, with the intent of advancing them as part of our strategy. The outermost ring illustrates other generation technologies we're continuously monitoring for risks to our strategy. As risks arise, we will critically evaluate our strategy and adjust course as necessary.

Advancing our technology strategy



CCUS – Carbon capture, utilization and sequestration

DAC – Direct air capture

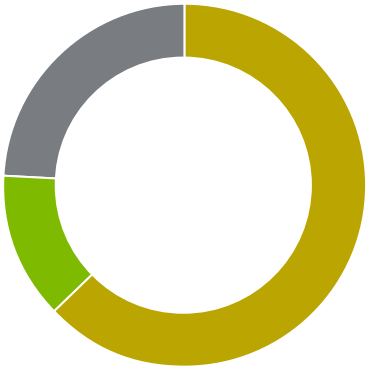
SMR – Small modular nuclear reactor

Although we could have chosen a "renewables-only" strategy to reach our net carbon neutral goal, we strongly believe that including decarbonized natural gas in our power system will be the only way to successfully decarbonize, while also maintaining reliability and affordability.

In some situations, batteries will be able to smooth intermittency for short periods because they, like gas, can be dispatched and turned off instantaneously. They do so for short periods, however. Natural gas, either combined with carbon capture and conversion or transitioned to green/blue hydrogen, will help ensure delivery of "always available," accessible, clean energy to allow each of us to power our homes, cook our food, and run our businesses, hospitals and essential services when the wind isn't blowing and the sun isn't shining.

Dynamic pipeline supports resilient & responsible growth

Project development sites

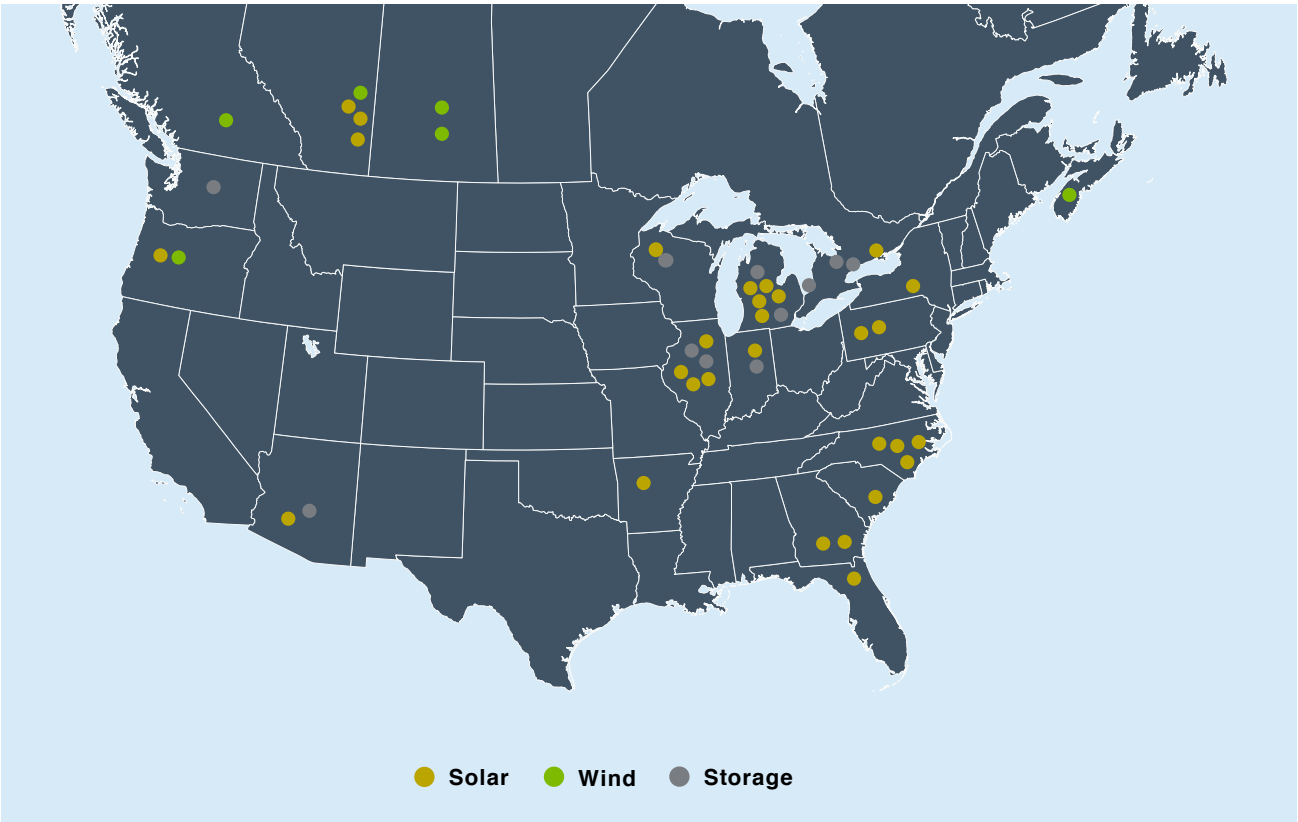


SOLAR
29 sites
Potential: 2,100 MW
Committed: 276 MW
Total: 2,376 MW

WIND
6 sites
Potential: 900 MW
Committed: 151 MW
Total: 1,051 MW

STORAGE
11 sites
Potential: 3,350 MWh
Total: 3,350 MWh

$500M
2022 investment growth target



Spotlight on resilience, optimization & innovation

To accelerate our journey to 2050 we are focusing on three components: resilience, optimization and innovation in every aspect of our business. Throughout this report, we highlight how each is helping us come closer to achieving our purpose.

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

SPOTLIGHT RESILIENCE OPTIMIZATION INNOVATION

Resilience

Delivering on our disciplined, resilient strategy year over year to reliably and sustainably power our communities and create value for all our stakeholders.

Optimization

We optimize our operations and our business to deliver best-in-class service to our customers and create competitive advantages alongside lasting value for our stakeholders.

Innovation

Researching and investing in critical technologies that will enhance the efficiency of our operations and enable carbon neutrality, including CCUS, batteries and hydrogen.

A discussion with our Chief Sustainability Officer & Chief Financial Officer

Kate Chisholm
Senior Vice President, Planning, External Relations & Chief Sustainability Officer

Sandra Haskins
Senior Vice President, Finance & Chief Financial Officer

In 2021, Capital Power announced a new corporate purpose: Powering a sustainable future for people and planet. Here, Kate Chisholm, Senior Vice President, Planning, External Relations and Chief Sustainability Officer, and Sandra Haskins, Senior Vice President, Finance & Chief Financial Officer, discuss what it means and how it aligns with the Company's long-term strategy.

What does Capital Power's corporate purpose mean to you, and how will it guide the Company and decision making over the long term?

Kate: There are a lot of ways you can produce megawatt hours. You can do it without regard for its indirect effects or you can take a pathway that doesn't harm future generations. Capital Power is taking the latter path, consciously focusing on the impact our actions have – not just on today's stakeholders but also on their children, their grandchildren and future generations.

Sandra: When we say we want to power a sustainable future for people and planet, we mean we want to leave future generations as well off as we are today. We also believe that by making these choices we'll provide more financial value in the long run, and we believe our shareholders agree.

How has Capital Power integrated ESG into the overall corporate and financial strategies of the organization?

Kate: We no longer talk about a sustainability strategy versus a corporate strategy. To us, they're one and the same. For example, we have emission reduction targets. We won't consider a development opportunity without considering how it will impact our emission targets. Our strategy is about how to earn returns for our shareholders *sustainably*.

Sandra: I agree. We are firing on all elements of our strategy – financial and ESG. Our corporate purpose is the lens through which we'll plan our growth over time and make business decisions going forward. Quite simply, there is no difference between Capital Power's sustainability strategy and its long-term business plan.

Can you speak to the benefits of a sustainability-linked credit facility and next steps in embedding ESG into your financing?

Sandra: As we work to power a brighter, sustainable future for generations to come, we're excited to take this first step in embedding ESG into our financing foundation – the transformation of our credit facilities clearly demonstrates our priorities. Sustainability is our strategy and we're taking action today. As a power generator, we're committed to advancing the clean energy required for our collective prosperous future. This announcement reinforces our commitment to be net carbon neutral by 2050 by linking reductions in GHG emissions intensity to our credit facilities, while ensuring we maintain access to sufficient liquidity to continue to fund our low-carbon growth.

Kate: Our announcement shows just how committed we are to our goals. We also incorporated a metric that gives us a platform to further build out a broader framework for greener or sustainability-linked products that we could use to finance our growth going forward. We know there's a lot of interest out there, which is exciting. Through this first sustainability loan, we're also gaining important learnings. It demonstrates we can do this sort of thing as long as we're serious about meeting our targets and pay attention to them throughout the period of the financing, which of course we will.

How do you remain engaged with stakeholders and factor their insights into your risk management process?

Kate: Our Genesee site is a great example. We've had a presence there since the late 1950s when we first established relationships with the local community. We don't wait until there's an issue to communicate. We have ongoing communications with them. This way, when there's an issue, we know how to talk with them, who to speak with, and we address the situation up front and openly. We deal with myriad stakeholders – employees, regulators, customers and the communities in which we develop and operate projects. We like to be transparent and open with all of them. Capital Power strives to avoid instances of non-compliance, but when an incident occurs, we immediately report it to regulators as a rule. We tell them what happened, why it happened and what we are doing to ensure it won't happen again. This is key to building trust.

Sandra: We also have ongoing dialogue with banks, institutional investors, analysts and rating agencies on our strategy, how we're executing, what our view is on particular issues, and how it resonates in terms of their expectations.

Can you share an example of an ESG risk, opportunity or collaboration that was surfaced through engagement with stakeholders?

Kate: From an opportunity lens, we're engaging with groups like 30 by 30 and Equal by 30 through which we learned about the work of The Prosperity Project. This led us to join with them and Ontario Power Generation in a new campaign to inspire women to rejoin industry in STEM roles (see page 35). Women have suffered disproportionately to men in terms of financial and economic outcomes during COVID-19. As an organization, you scratch your head – how can we help? By working with one another we've developed what I think is a pretty powerful campaign to recruit more women into the energy sector and help them feel comfortable once they're here.

Sandra: On the risk side, we're working with industry peers through the Solar Energy Industries Association to address forced labour in the production of solar panels in China (see page 32). Every energy company in the United States and Canada wants to address this issue and it's something that we can address in a more powerful way through industry collaboration.

How is Capital Power preparing for mandatory disclosures of climate-related risk?

Kate: In October 2021, the Canadian Securities Administrators (CSA) came out with proposed climate-related disclosure requirements for public comment, which we had already been complying with for many years. We've published four TCFD reports – not many companies have done that. We've been at this for a long time. We look forward to the convergence that will come from the International Sustainability Standards Board (ISSB) in terms of uniformity of standards that will allow companies to be compared on an apples-to-apples basis, and better enable Capital Power to be recognized for the great strides we continue to make on our sustainability journey.

Performance targets for 2022: enhancing shareholder value

Operational priorities for Capital Power in 2022 include progressing our sustainability targets through:

- Ongoing development of the North Carolina solar sites and completion of Strathmore Solar and Enchant Solar
- Strategic acquisition of renewable and natural gas assets
- Continued progression on the repowering of Genesee 1 and 2 and conversion of Genesee 3
- Advancement of CCUS and carbon conversion technologies at the Genesee facility

Performance targets for 2022[1]

Performance measure	2022 target
Operational excellence	
Facility availability average[2]	93% or greater
Sustaining capital expenditures	$105 million to $115 million
Disciplined growth	
Repowering of Genesee 1 and 2[3]	Continued progress with anticipated in-service date in late 2023 for the repowered Genesee Unit 1 and 2024 for Genesee Unit 2.
Renewable projects[4]:	Target completion dates on time and on budget for 2022 projects and progress on the development of 2024 projects to be on track with budget and completion dates:
Strathmore Solar (Alberta)	Early 2022
Enchant Solar (Alberta)	Fourth quarter 2022
Bear Branch Solar (North Carolina)	Fourth quarter 2024
Hornet Solar (North Carolina)	Fourth quarter 2024
Hunter's Cove Solar (North Carolina)	Fourth quarter 2024
Phase 2 of Halkirk Wind (Alberta)	Fourth quarter 2024
Other growth	$500 million of committed capital
Financial stability and strength[5]	
Adjusted funds from operations[6]	$580 million to $630 million
Adjusted EBITDA[6]	$1,110 million to $1,160 million

[1] Performance targets for 2022 to be read in conjunction with the Forward-looking Information section on page 117, which identifies the material factors and assumptions used to develop forward-looking information and their material-associated risk factors.

[2] Reflects major scheduled maintenance outages for Genesee 1 and 3, Clover Bar Energy Centre and Goreway compared to those scheduled for Genesee 2, Decatur Energy and Shepard in 2021.

[3] See the Significant Events section in the Business Report on page 66.

[4] See the Liquidity and Capital Resources section in the Business Report on page 81 for project budget amounts.

[5] The 2022 guidance was based on approximately 64% of the Alberta commercial baseload generation portfolio sold forward at an average contracted price in the high-$60 per megawatt hour (MWh) range, an average Alberta spot power price of approximately $90 per MWh and an AECO natural gas price of approximately $4.25 per gigajoule (GJ).

The Alberta portfolio position, contracted prices and forward Alberta pool prices and natural gas prices for 2022, 2023 and 2024 (all as at December 31, 2021) were:

Alberta commercial portfolio positions and power prices	2022	2023	2024
Percentage of baseload generation sold forward[a]	72%	47%	32%
Contracted price[b]	High-$60	Low-$60	High-$50
Forward Alberta pool prices	$94	$72	$61
Percentage of natural gas requirements purchased forward[c]	100%	99%	85%
Contracted Alberta natural gas price per GJ[b,d]	$2.00 – $2.50	$2.00 – $2.50	$2.00 – $2.50
Forward Alberta natural gas prices per GJ	$3.44	$3.05	$2.88

[a] Based on the Alberta baseload facilities plus a portion of Joffre and the uncontracted portion of Shepard.
[b] Forecasted average contracted prices may differ significantly from future average realized prices as future realized prices are driven by a combination of previously contracted prices and settled prices.
[c] Based on forecasted natural gas requirements from the Company's most recent forecast. Actual fuel requirements for Alberta facilities may differ significantly as a result of dispatch decisions.
[d] The Company presents average contracted Alberta natural gas prices based on $0.50 bands.

[6] Adjusted funds from operations and adjusted EBITDA are non-GAAP financial measures. See Non-GAAP Financial Measures and Ratios on page 60.

The 2022 targets and forecasts are based on numerous assumptions, including power and natural gas price forecasts. They do not include the effects of potential future acquisitions or development activities, or potential market and operational impacts relating to unplanned facility outages, including outages at facilities of other market participants, and the related impacts on power market prices.

At its Investor Day held in December 2021, management confirmed 5% annual dividend growth guidance for 2022 and announced the extension of our 5% annual dividend growth guidance to 2025. Each annual increase is subject to changing circumstances and approval by the Board of Directors of Capital Power at the time of the increase.

See Liquidity and Capital Resources on page 81 for discussion of future cash requirements and expected sources of funding. It is expected that, outside of new growth opportunities, no additional common share equity will be required in 2022 to fund our current growth projects.

Our sustainability targets: getting to net carbon neutral

We have a goal to be net carbon neutral by 2050 with a clear roadmap to guide us. Below are key milestones we aim to reach as we progress. We're on track to meet all but one of our ESG commitments.

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

[1] As required by internationally accepted calculation methodologies, we recalculate our base-year emissions for any significant impacts as a result of changes in calculation methodologies and major acquisitions or divestments.

Demonstrating our commitment to net carbon neutrality

In July 2021, Capital Power announced its inaugural $1 billion Sustainability-Linked Credit facilities (SLCs) by extending and amending its existing committed credit facilities and transitioning them to SLCs.

The five-year, $1 billion SLCs reinforce Capital Power's decarbonization ambitions and commitments by introducing financial incentives to reach its environmental goals. The SLCs are structured with one key performance indicator with annual Sustainability Performance Targets aligned to our target to reduce Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels. The SLCs include terms that reduce or increase borrowing costs as the annual targets are met or missed. Achievement of the Company's GHG emission intensity reductions will be driven by operational enhancements, strategic investments in renewables and decarbonization technologies, the elimination of coal through the Genesee repowering project, and the conversion of Genesee 3 to natural gas.

Risk overview

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

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

The table below provides an overview of the Company's key high-level risks paired with value creation opportunities. There are various ways that strategic risks and value creation can impact each other and transform into outcomes that create value for the Company and stakeholders.

For more details on Capital Power's principal risk factors and the associated risk mitigation strategies, please refer to page 86 in the Business Report.

Risk	Potential impacts	Mitigations
Climate change	Financial and operational impacts from extreme weather, changing weather patterns, and/or more stringent air emissions, water, or wildlife protection policies	• Evolving our portfolio toward lower-emitting technologies to become net carbon neutral by 2050 • Decarbonization projects (e.g., Genesee Repowering, G3 natural gas conversion, our proposed Genesee CCS and Genesee Carbon Conversion Centre projects) and asset optimization initiatives to make our fleet more efficient (e.g., Ops 2030 and Genesee Performance Standard (GPS)) • Prioritizing physical emissions reductions from our facilities through CCUS and hydrogen blending, and across our portfolio through direct air capture • Water strategy • Developing wildlife deterrent technologies for our wind facilities • Diversity of asset location
Power price	Financial impacts from power price volatility due to supply and demand drivers such as: extreme weather, changing weather patterns, changing consumer behaviours, the costs to generate electricity, competitor bidding strategies and power market structures	• Physical and financial derivatives • Fuel-type and geographic diversification across our fleet • Internal commodity risk management policy and hedging program • Daily commodity risk reporting to the Executive Team • Quarterly commodity risk reporting to the Risk Oversight Council and Audit Committee • Ongoing operational efficiencies to increase the competitiveness and reliability of our fleet • Focus on contracted cash flows with limited merchant exposure outside of Alberta • Long-term fixed price contracts with commercial and industrial customers in Alberta

Value creation opportunities linked to strategic risks:

Innovation **People** **Environment** **Operations & growth** **Stakeholder engagement** **Financial**

Risk	Potential impacts	Mitigations
Fuel supply & price	Financial and operational impacts from supply disruptions, natural gas price volatility and the availability of renewable resources	• Physical and financial derivatives • Fuel-type and geographic diversification across our fleet • Internal commodity risk management policy and hedging program • Daily commodity risk reporting to the Executive Team • Quarterly commodity risk reporting to the Risk Oversight Council and Audit Committee • Ongoing operational efficiencies to increase the competitiveness and reliability of our fleet • Long-term fixed price contracts • Long-term natural gas transportation agreements
Supply chain	Financial and reputational impacts from disruptions, price volatility and/or unsustainable practices within Capital Power's supply chain	• Sustainable sourcing strategy • Requiring compliance by our onsite contractors with material Capital Power policies such as Ethics and Health & Safety • Constructive relationships with key suppliers
Political & regulatory	Financial, reputational and operational impacts from changing political conditions and increasing regulatory complexity and scope	• Engaging with government, industry groups and other stakeholders on new and emerging policies • Ongoing compliance monitoring and periodic environmental compliance audits
Business resilience	Financial and operational impacts from events such as extreme weather, changing weather patterns, pandemics, physical terrorist attacks and major accidents	• Engaging with government and industry groups to share intelligence, trends and best practices • Physical security management program and contingency plans • Comprehensive insurance program
Growth execution	Financial impact from our inability to compete and execute on growth opportunities as expected, due to factors such as: errors in due diligence, inability to arrange financing, rising construction costs, shipping delays, an inability to be competitive and stakeholder activism	• Internal business development policy and framework • Collaborative contracting approach to construction projects • Regular review of internal hurdle rates for growth projects • Lessons learned collected from post-implementation project reviews applied to future projects • Board governance and oversight of business development opportunities • Annual review of our strategy

Value creation opportunities linked to strategic risks:

Innovation **People** **Environment** **Operations & growth** **Stakeholder engagement** **Financial**

Risk	Potential impacts	Mitigations
Disruptive technology	Strategic and financial impacts from evolving technologies in the power industry that could impact Capital Power's competitiveness	• Evaluating technology strategy on an ongoing basis • Evaluating economics of emerging and competing technologies on a regular basis • Actively monitoring emission abatement technologies
Cyber security & systems	Financial and operational impacts from the increasing sophistication and frequency of cyber and asset security threats	• Internal monitoring of Capital Power's information and operational technology systems, logs, and security events • Cyber security, disaster recovery and contingency plans, tested on a regular basis • Supply Chain Cyber Risk Management Plan, to be fully implemented in 2022
People	Operational impacts from increasing employee health and wellness concerns (e.g., the COVID-19 pandemic)	• Comprehensive human resource programs and practices such as multi-faceted wellness programs and flexible work arrangements • Organization-wide "zero tolerance" health and safety and ethics culture • Strong collective bargaining capability, programs and practices • Vetting the safety records of potential onsite contractors
Operation & maintenance of equipment	Operational and financial impacts from the failure of generation equipment, transmission lines, pipelines or other equipment	• Long-term service agreements • Constructive relationships with Original Equipment Manufacturers (OEM) • Inventory of strategic spare parts • Reliability program • Ongoing asset optimization through our Ops 2030 program • Comprehensive insurance program
Stakeholder activism	Asset development, construction and operational impacts from stakeholder intervention	• Participation in continuous stakeholder engagement processes • Active and ongoing community engagement
Reputation	Reputational and financial impacts from increasing societal focus on climate change, which could create negative public perception or increased cost of capital due to the thermal assets in portfolio	• Strong risk management strategies for all other identified risks • Ethical corporate culture • Commitment to transparent reporting and disclosure

Value creation opportunities linked to strategic risks:

Innovation **People** **Environment** **Operations & growth** **Stakeholder engagement** **Financial**

Value creation

Energy underpins every aspect of modern life and is driving improved standards of living for millions of people around the world. In addition to delivering reliable, affordable and responsible power that North Americans depend on, Capital Power creates jobs, stimulates economic growth and generates tax revenue for governments. Our commitments to reduce our climate impacts and improve employee safety will help local communities thrive and provide long-term value to our shareholders. Here are some of the ways we created, preserved and impacted value in 2021.

Inputs		Outputs & outcomes	
Innovation			
26.2	Innovation spend[1] ($M) ☑	9.5	Reduction in Scope 1 emissions (%)
41	Active innovation projects (#)	8.8	Reduction in emission intensity (%)
People			
773	Employees (#)	5.4	Voluntary turnover for permanent employees (%)
176	Employee costs and benefit expenses ($M)	0.60	Total recordable injury frequency (TRIF score)[2] ☑
21,422	Training (hours)	0.08	Lost time injury/illness frequency (LTIF score)
147	Women interviewed for open positions (#)	27	Gender diversity – overall women (%)
Operations & growth			
26	Facilities (#)	22,811	Generation (GWh)[3]
120	Sustaining capital expenditures[4] ($M)	90	Availability (%)
4,700	Active suppliers (#)	873	Procurement spend ($M)
710	Renewable project development spend ($M)	21	Generation capacity from renewables (%)
50	Renewable sites (#)		
Environment			
44,214	Water consumption (ML)	10.4	GHG emissions – Scope 1 ☑ (M tCO_2e)
65	Fuel and energy (M GJs)	1.3	GHG emissions – Scope 3 (M tCO_2e)
Stakeholder engagement			
10,000	Employee volunteering (hours)	355	Local partnerships (#)
1.8	Community investment ($M) ☑	540	Organizations supported (#)
Financial			
		1,990	Revenues and other income ($M)
2,841	Shareholder equity ($M)	605	Adjusted funds from operations ($M)
9,073	Total assets ($M)	867	Net cash flows from operating activities ($M)
3,360	Loans and borrowing including SLC ($M)	1,124	Adjusted EBITDA ($M)
		87	Net income ($M)

[1] 2021 innovation spend = GPS, Ops 2030, GC[3], C2CNT project, Genesee CCS, Genesee storage project. The 2021 definition of innovation spend has been expanded relative to the 2020 definition of innovation spend. Using the 2020 definition, which only included GPS and C2CNT, the 2021 innovation spend would have been $6.7M or 25% lower than the amount reported using the 2021 definition of innovation spend.

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

[3] Generation (GWh) = generation from Capital Power's owned and joint arrangement assets.

[4] Includes sustaining capital expenditures net of joint venture contributions of $10 million.

Progress on Our Road to Decarbonization

In this section:

- **Reducing emissions within our operations**
- **Investing in low-carbon energy sources**
- **Working to ensure resilience across our assets**

Our roadmap to net carbon neutral

As defined in our roadmap to 2050 (see page 10), we are on a journey to be net carbon neutral, while safeguarding the reliability and affordability of our electric supply by decarbonizing our operations through:

- Innovative solutions to reduce emissions within our operations
- Investments in low-carbon energy sources

As we proceed, we are strengthening our **resilience**, pursuing **optimization** and leveraging **innovation** to move quickly and help ensure long-term sustainability

Reducing emissions within our operations

As we progress toward being net carbon neutral, we must take measurable steps to mitigate emissions.

Within our own operations, we are pursuing a hierarchy of emission reduction strategies.

1. Emissions will be physically reduced onsite through operational enhancement, as well as post-combustion capture or hydrogen blending (see page 87).
2. Where emissions can't be reduced onsite due to technical, economic or social constraints, we will pursue physical emission reductions elsewhere in our generation portfolio or through other forms of negative emissions, such as direct air capture.
3. Where emissions cannot be reduced by any physical means, we will procure certified offsets in quantities sufficient to achieve our goal of being net carbon neutral.

G1, G2 repowering Carbon conversion centre – GC³ Battery energy storage system G1, G2 CCS

Creating the most efficient thermal facility in Canada

In 2021, Capital Power continued its efforts to transform all three units at its flagship Genesee Generating Station from coal-fired power generation to natural gas, advancing the repowering of two of the units to new natural gas combined cycle (NGCC) technology and the conversion of the other unit to burn gas in the boiler. Once the repowering of the Genesee facility is complete, it will represent roughly 25% of the installed capacity of our total fleet.

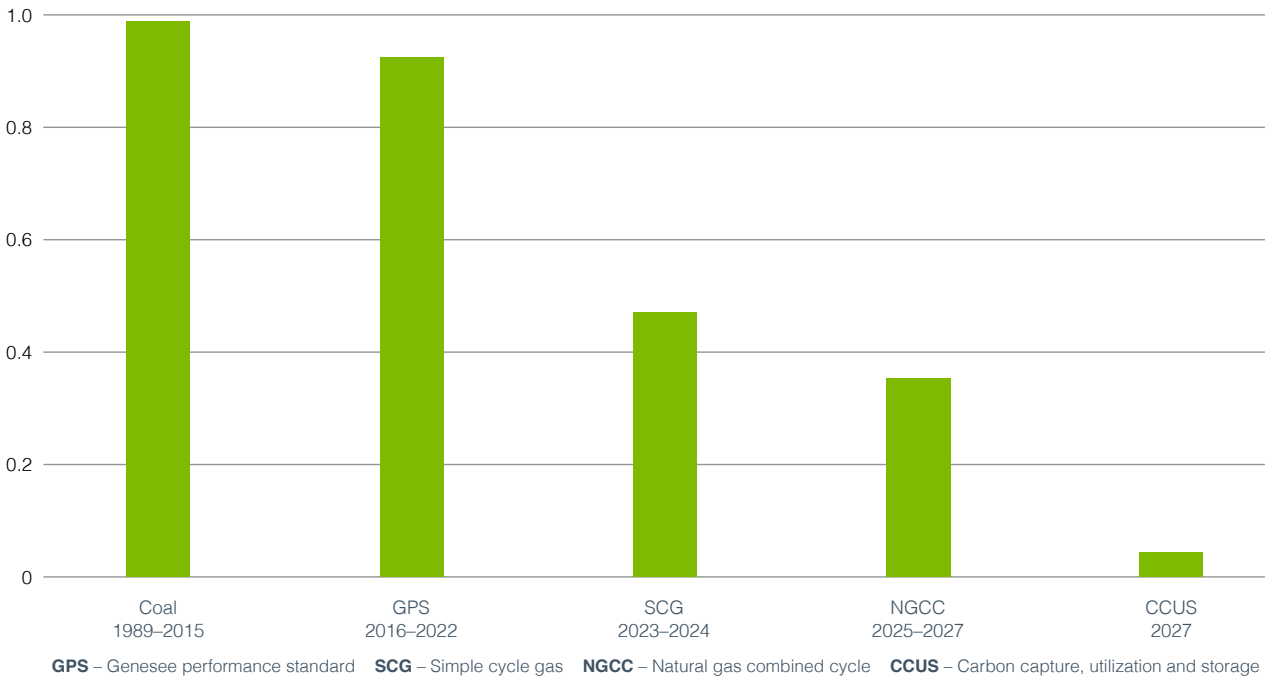
The repowered Genesee 1 and 2 units will use best-in-class NGCC technology. Genesee 1 will become a dedicated NGCC unit in 2023; Genesee 2 will become a dedicated NGCC unit in 2024. When complete, the Genesee repowering and conversion projects will immediately reduce our emissions at Genesee by 3.4 MT, while also increasing the plants' generating capacity – providing more than 40% reduction in emissions from the Genesee site despite a more than 40% increase in generation capacity. It will also allow us to meet our 2030 Genesee reduction target in 2024 – six years early. This will make Genesee 1 and 2 the most efficient thermal facility in Canada, and we're not stopping there. The attachment of a 210 MW battery energy storage system will enable Genesee 1 and 2 to operate up to their increased capacity while also addressing the Alberta Interconnected Electric System's most severe single contingency (or MSSC) limit.

We hope to capture the point-source CO_2 emissions from Genesee 1 and 2 and sequester them to further reduce our absolute emissions at Genesee by up to another 3 MT per year. This will put Genesee 1 and 2 amongst the cleanest baseload thermal generation facilities in the world.

Once the Genesee 1 and 2 repowering and Genesee 3 conversion-to-gas are complete, Genesee will generate approximately 10,000 to 11,000 GWh annually – enough to meet the entire Alberta residential demand. This production would be equivalent to about five times the energy of all Alberta hydro generation *combined* and equal to all the renewable energy generated last year. It also will reduce the emissions from Alberta's power sector by 4.5 MT per year by as early as 2026.

Genesee 1 & 2 emissions intensity pathway

CO_2 intensity – t/MWh



GPS – Genesee performance standard **SCG** – Simple cycle gas **NGCC** – Natural gas combined cycle **CCUS** – Carbon capture, utilization and storage

Key collaborations

- **Powering Past Coal Alliance:** In 2021, Capital Power joined this coalition of national and sub-national governments, businesses and organizations, co-chaired by the UK and Canadian governments, committed to advancing the transition away from traditional coal generation and accelerating the transition to clean energy.
- **West Central Airshed Society:** Capital Power serves on the Board of Alberta's first airshed management zone. The Society monitors and promotes effective management of air quality within the airshed zone, which is approximately 62,000 square kilometres and spans from west of Edmonton to the border of British Columbia.
- **Air Issues Steering Committee of the Canadian Electricity Association:** Capital Power co-chairs the Committee, which works closely with the Government of Canada on the reduction of CO_2 emissions from coal-fired generation and electricity regulations, the Canadian Ambient Air Quality Standards and the Base-level Industrial Emissions Requirements.

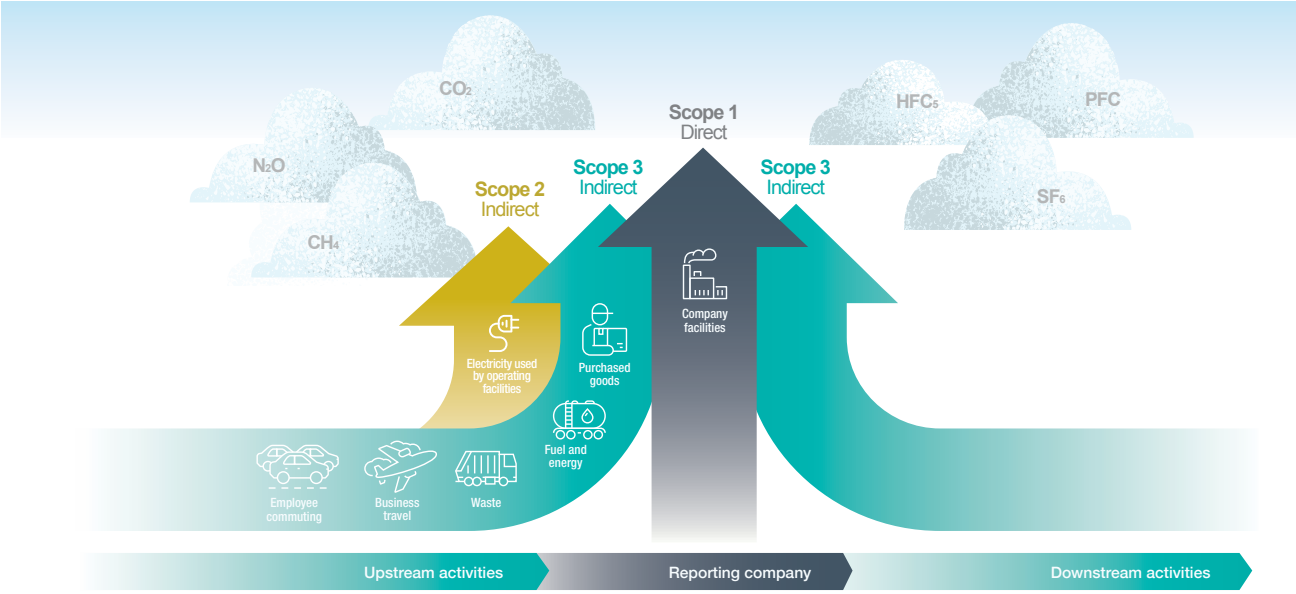
Capital Power & Enbridge collaborate to reduce CO_2 emissions in Alberta

In November 2021, Capital Power and Enbridge Inc. announced a collaboration on carbon capture and storage (CCS) solutions in the Wabamun area west of Edmonton, Alberta, near our Genesee Generating Station.

Enbridge and Capital Power will evaluate and advance CCS initiatives, with Enbridge as the transportation and storage service provider and Capital Power as the CO_2 provider, subject to the Government of Alberta's competitive carbon hub selection process and a future final investment decision. Enbridge, with the support of Capital Power, is applying to develop an open access carbon hub through the Government of Alberta's Request for Full Project Proposals process.

"We're excited to be partnering with Capital Power in support of their commitment to a low-carbon energy future. Collaboration like this is critical as we look to advance cost-effective, customer-focused carbon capture, transportation and storage solutions in Alberta and across North America, with a commitment to protecting land, water and the environment and engaging meaningfully with local Indigenous communities," said Colin Gruending, Enbridge Executive Vice President and President, Liquids Pipelines.

The proposed project would serve Capital Power's Genesee Generating Station. The Genesee CCS Project is expected to capture up to 3 million tonnes of CO_2 annually from the repowered units (see page 24), which would be transported and stored through Enbridge's open access carbon hub that could also serve several other local industrial companies. Subject to the award of carbon sequestration rights and regulatory approvals, the proposed project could be in service as early as 2027.



Performance

We monitor our emissions on an annual basis. The charts below illustrate Scope 1 emissions across our fleet on an absolute and intensity basis.

Scope 1: ☑ Scope 1 emissions in 2021 were 10,430,443 tonnes CO_2e. This represents a decrease of approximately 9.5% from 2020, driven by Roxboro and Southport ceasing operations, technology upgrades and the Genesee 2 outage.

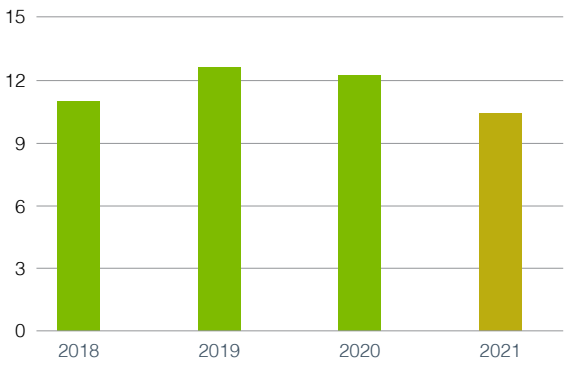
Greenhouse gas intensity in 2021 was 0.53 tonnes CO_2e/MW hours. This represents a decrease of approximately 8.8% from 2020. The reduction in intensity was largely driven by technology upgrades, increased gas generation and the Genesee 2 outage.

Scope 2: ☑ Scope 2 emissions 2021: 47,634 tCO_2e. This represents a decrease of approximately 12% from 2020 emissions, driven by reduced power consumption. One hundred percent of Capital Power's Scope 2 emissions have been greened through a combination of Alberta's Technology Innovation and Emissions Reduction Regulation (TIER) compliance, renewable energy certificates (RECs) retirements and offsets retirements.

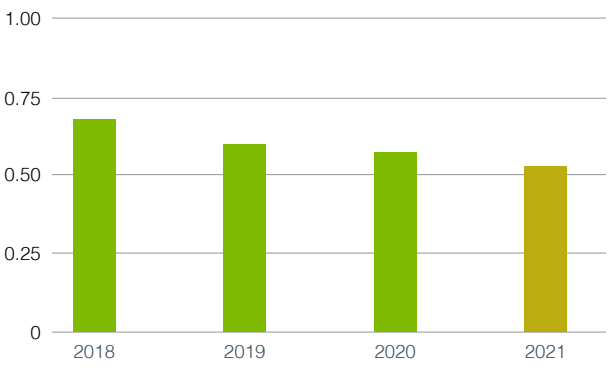
Scope 3:[1] Scope 3 emissions 2021: 1,320,667 tCO_2e. This reflects an increase of approximately 24% from 2020, primarily due to increased Natural Gas consumption and an increase in capital spending.

Scope 1

Greenhouse gas emissions –Scope 1 absolute (M tCO_2e)



Greenhouse gas emissions – intensity[2] (tCO_2e/MWh)



[1] Detail on what is included in Scope 3 emissions can be found in the GRI and SASB Index, page 210, section 305-3.

[2] This intensity includes GHG emissions related to MWh production only.

Investing in low-carbon energy sources

Renewables

At year-end 2021, we have $710 million in renewable projects under development. This consists of one wind project and five solar projects, four of which have secured long-term contracts. We have also begun commercial operation of phases 2 and 3 of our Whitla Wind facility, which represents an investment of $252 million.

Our strategy to develop, acquire and optimize renewable power generation assets is paying off. When these new renewable projects are all complete, they will add incremental power generation capacity of approximately 425 MW to our fleet.

Capital Power is a leading developer of renewables in Alberta, and we have been the largest provider of new generation in the province during the past 20 years.

2021 wind highlights

- Completed phases 2 and 3 of the Whitla Wind project, making the overall Whitla facility the largest wind facility in Alberta at 353 MW. This is our eighth consecutive wind project to be completed on or ahead of schedule and under budget.
- Announced plans for phase 2 of Halkirk Wind, which will incorporate the most advanced turbine technology. When completed in 2024, it will provide an additional 151 MW of renewable power to the Alberta grid, pending permitting and regulatory approvals.

Resilience, optimization & innovation in our wind operations

During the past decade, we have honed our skills in wind development, moving from an approach with a singular focus on lowering costs to an approach that actively incorporates technological solutions to maximize performance while also achieving lowest life-cycle costs. We have become highly skilled at designing purpose-built solutions for our wind facilities. One example is our use of AI and drones to improve our ability to investigate individual turbine performance data and identify situations such as a broken nacelle anemometer, turbine power curve derates, control algorithm anomalies, and equipment temperature deviations. This enables us to inspect damage faster and more safely and take corrective actions sooner.

2021 solar & storage highlights

- Announced the acquisition of a portfolio of 20 development sites in the United States, which provides Capital Power with an attractive solar and storage platform for continued growth in this rapidly growing solar market. The portfolio has a total generation capacity of 1,298 MW ranging in size from 15 MW to 340 MW, with the potential to co-locate more than 1,200 MWh of energy storage. It is anticipated that sites will be construction-ready by 2024 with commercial operation starting between 2025 and 2026, for those that are developed following completion of our assessment of the sites.
- Continued construction of Strathmore and Enchant Solar projects with commercial operations targeted for Q1 and Q4 2022, respectively

Proven competitiveness in solar development will more than double our growth opportunities in the renewable space.

Helping partners meet their sustainability goals through renewable energy

For Capital Power, the path to net carbon neutrality is not one we are travelling alone. The Company is also developing customized renewable energy solutions that meet the needs of partners and empower them to meet their clean energy targets as well.

Partnering with the King of Beers

One such partner is Budweiser, Canada's best-selling beer brand.

The companies announced a 15-year virtual power purchase agreement, which includes approximately 51% of the electricity generated by Capital Power's Enchant Solar facility in Taber, Alberta. Of Budweiser's contracted electricity, approximately one-quarter will be bundled with project-generated RECs directly from the facility. This is a key milestone in Budweiser brand's commitment to produce every beer it brews using 100% renewable electricity.

Construction is set to begin in the second quarter of 2022 with commercial operations expected by the fourth quarter of 2022.

Partnering with Dow Chemical Canada

In September 2021, Capital Power and Dow Chemical Canada ULC announced a 15-year renewable power purchase agreement for 25 MW of capacity and the associated environmental attributes from phase 2 of the Company's Whitla Wind project. The agreement will help Dow further reduce its footprint at its Prentiss manufacturing site, with the added benefit of supporting more renewable energy on Alberta's power grid.

> "We are optimistic that this type of collaborative and innovative partnership will begin to define the model by which Canadian companies can join us in choosing earth."
>
> – Andrew Oosterhuis, Vice President of Marketing, Labatt Breweries of Canada

Key collaborations

- **Canadian Carbon Capture Collaborative:** Together, we are part of this pan-Canadian, cross-sectoral industry coalition working to enhance the technical and financial viability of processes that enable CO_2 capture from industrial emissions sources for utilization, and sequestration, in collaboration with government and private funders, academic experts, think tanks and public sector R&D labs.
- **Carbon Capture Coalition (U.S.):** We're participating in the Carbon Capture Coalition, a non-partisan collaboration of more than 80 businesses and organizations building federal policy support for economy-wide deployment of carbon capture, transport, use, removal and storage.
- **Alberta Water Council Board:** We participate in this multi-stakeholder partnership that engages industry, civil society and government to achieve the outcomes of the province's Water for Life strategy.

Working to ensure resilience across our assets

Our ability to provide reliable energy relies on the protection of our assets from both natural and man-made threats. It also requires a strong and resilient supply chain that we can depend on for high-quality and sustainable support.

Strengthening weather resilience

In February 2021, extreme winter weather disrupted our wind facilities in Texas and Kansas, forcing some turbines to briefly go offline. By December 2021, Capital Power had met the new regulatory requirements related to cold weather preparedness for this facility. As extreme weather events become more common, we are working to develop and implement cold weather plans tailored to regional-specific weather conditions. As part of our efforts, we are also identifying typical modes of failures under cold weather conditions, root causes and preventative measures. By doing so, we will be prepared to fully support the North American Electric Reliability Corporation's (NERC) Cold Weather Reliability Standards, which will take effect in the United States and some Canadian provinces in April 2023.

Cyber security

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

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

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

Capital Power did not experience any financial losses related to technology failure, cyber-attacks or security breaches in 2021.

2021 highlights

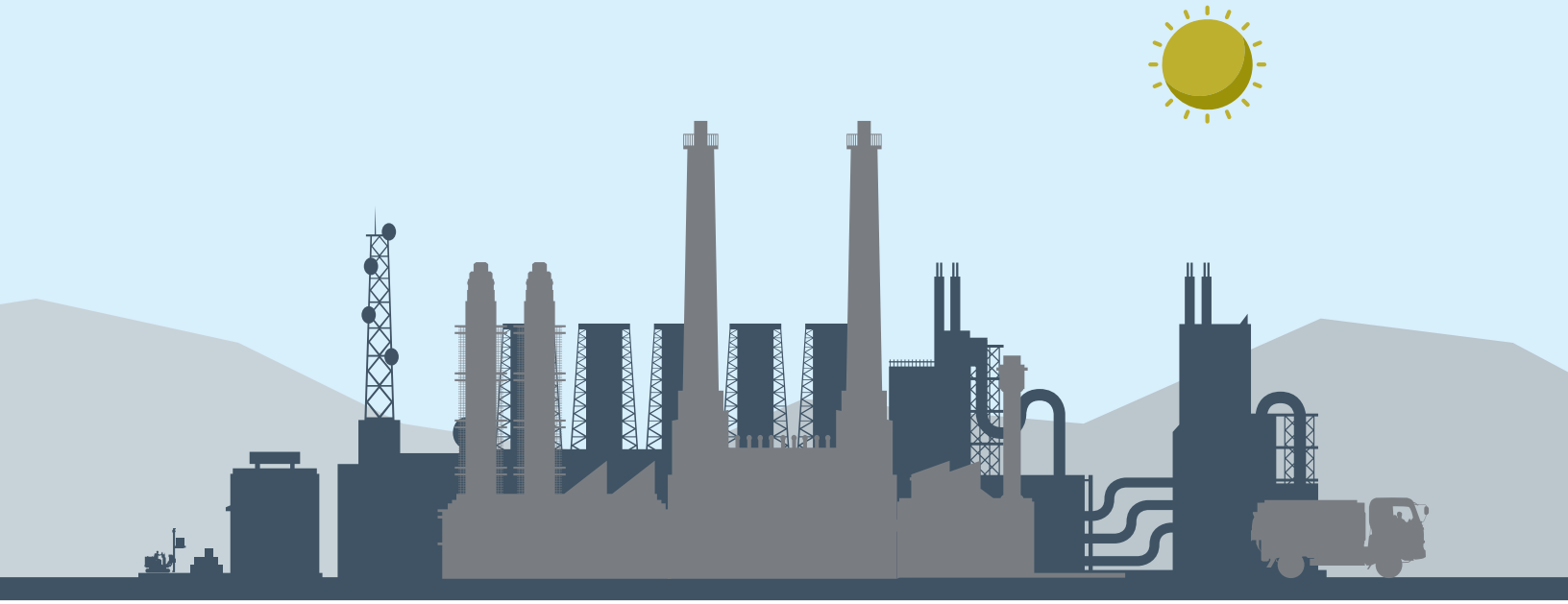
- Achieved a 91% cyber-security training completion rate – exceeding our 90% goal
- Participated in NERC's Task Force on Supply Chain Risk Management regulatory compliance requirements working to ensure that registered entities are aware and trained to comply with new regulations in cyber security
- Upgraded, enhanced and optimized various critical cyber-security defense infrastructure to best-in-class technology
- Completed network upgrades for all remote sites
- Successfully completed three major cyber-security assessments in 2021

Asset protection

Capital Power's security management program is based on industry guidelines and best practices and governed in part by regulatory requirements, such as the NERC Critical Infrastructure Protection (CIP) standards. Operational asset security is managed on a site-by-site basis and driven by onsite security assessments conducted by certified security professionals.

Key collaborations

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



SPOTLIGHT RESILIENCE OPTIMIZATION INNOVATION

Resilience, optimization & innovation across our thermal operations

Within our thermal operations, we are using advanced tools to proactively locate and prevent potential maintenance issues, which help us reduce downtime and operating costs. Key activities in 2021 included:

- Utilizing drones to conduct inspections that significantly reduced downtime, lowered costs and increased safety by eliminating the need for people to work at heights
- Implementing Advanced Pattern Recognition (APR) technology. The technology utilizes historical plant data to help identify when sub-optimal operation is occurring. This helps us avoid the cost of unexpected equipment failure and reduce unplanned maintenance.
- Incorporating new inspection techniques, such as ultrasonic cameras that can detect leaks that would not be heard or seen otherwise

While we are continuously working to improve operational efficiency and detect problems before they occur, unplanned outages do infrequently occur. From July through November 2021, our Genesee 2 unit experienced an unplanned outage due to a generator failure. To optimize the outage time, we accelerated the LP Turbine upgrade project previously planned for 2023.

We also conducted planned maintenance work in 2021 at our Arlington Valley, Decatur Energy, Goreway and York Energy facilities. Successful completion of these outages will enable our facilities to continue to meet target availability performance.

SPOTLIGHT RESILIENCE OPTIMIZATION

Enhancing the resilience & sustainability of our operations through water management

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

Sources of water for our operations include municipal, recycled, groundwater, well and river. Most of our water consumption occurs in Alberta, where the majority of our thermal operations are located. We use water at our thermal generation facilities for two major purposes: cooling and steam production. In general, our steam systems are closed-loop to conserve water. Cooling water systems are similar but may withdraw from and discharge to a local water source. Standards for the quality and quantity of effluent discharges are determined by applicable regional regulatory agencies. Our approvals typically include studies, limits, monitoring and reporting. We comply with all conditions in our operating water approvals and participate in watershed alliances and regional biomonitoring programs for some of our facilities.

In 2021, we developed and received Board approval of an enterprise-wide water management strategy designed to enhance the resilience and sustainability of our operations. We will implement the strategy over the coming years, focusing on three core areas:

Stewardship & optimization

- Establishing consistent measurement and monitoring across our fleet
- Deploying technology to manage water use across assets
- Optimization through predictive analytics and artificial intelligence

Decision making

- Expanding the consideration of water use in valuations
- Expanding the consideration of water in risk management across our direct operations and supply chain

Transparency & accountability

- Expanding disclosures and reporting of water use across our operations
- Expanding our engagement with key stakeholders
- Establishing asset-specific targets to drive improvements

Through our efforts, we will seek to continue to identify opportunities to improve our efficiency and respond to risks, and to report our performance in future reports.

SPOTLIGHT RESILIENCE

Reducing risks in our supply chain

Recognizing that unsustainable practices by our suppliers can pose risks to our business, Capital Power completed the development of our new sustainable sourcing strategy in 2021, which considers social, ethical and environmental factors in our procurement processes. We anticipate implementing the strategy across the organization beginning in 2022, helping to increase the long-term resilience and transparency of our supply chain.

Components of our sustainable sourcing strategy

Environmental

- Decreasing our environmental footprint by:
  - Reducing Scope 3 emissions
  - Managing use of water and other scarce resources
  - Protecting biodiversity
  - Incorporating circularity into operations

Social

- Respecting human rights
- Increasing diversity in sourcing
  - BIPOC
  - Indigenous communities
  - Women
  - Local
- Decreasing dependence on suppliers that do not embrace diversity, equity and inclusion

Governance

- Increasing supply chain transparency
- Developing policies to support increased sustainability in our supply chain

Ensuring supplier compliance

All key suppliers and contractors working onsite are required to certify that they have received, read, understood and will comply with our *Ethics Policy* every two years. Standardized terms agreed to with suppliers typically provide us with the opportunity to audit supplier compliance, including health, safety and environmental standards, which we do by conducting audits each year. We will expand our focus in line with our new sustainable sourcing strategy in 2022.

On major capital projects, we require project teams to complete "lessons learned" processes throughout the project and at completion. The results support continuous improvement of our approach to supplier sourcing and the corresponding impact on sustainability.

Supporting local suppliers

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

Standing together against forced labour

Based on credible reports of human rights abuses in China, in 2021, Capital Power signed the Solar Energy Industries Association's Forced Labor Prevention Pledge to oppose the use of forced labour within the solar supply chain. By signing, we commit to taking steps to address these critical issues that threaten the long-term sustainability and integrity of our supply chains. This includes our support for the development of an industry-led solar supply chain traceability protocol as a tool for identifying the source of primary raw materials and inputs and tracking their incorporation into finished products, including solar modules.

GRI 102-9, 102-10, 102-12, 102-13, 204-103, 204-1, 302-103, 308-103, 414-103, 414-1, 414-2

People

In this section:

- Equity, diversity & inclusion
- Leadership & development training
- Fostering holistic health & wellbeing
- Employee turnover
- Occupational health & safety

People are the heart of our business

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

Our people priorities are focused on:

- Delivering a compelling and inclusive employee experience through our culture and lifestyle benefits
- Supporting employee growth by building critical skills and competencies that support the long-term business needs and strategy of the organization, including driving digital business transformation
- Developing future leaders through succession planning and progressive leadership opportunities
- Strengthening the equity and diversity of our workforce by eliminating institutional and structural bias in our hiring and promotional practices and increasing the diversity of our external candidate pool

Equity, diversity & inclusion

Because we believe that the inclusion of different perspectives enrich our decision making, Capital Power values diversity among people in their lived experiences, attitudes, perceptions, behaviour, background and all other attributes that make each person unique. Through our enterprise-wide equity, diversity & inclusion (ED&I) strategy, we are committed to fostering a culture of belonging and equity, where diversity is celebrated, employees can be their authentic selves, inclusion is the norm and innovation is the result.

To oversee and further our ED&I focus and programs, in 2021, we created a new position and hired a Diversity & Inclusion Manager. This position will work closely with our executive-sponsored ED&I Council to integrate equity, diversity and inclusion across the organization. We also launched a voluntary self-identification process for all employees. We will use the results to inform our ED&I strategy and continue to improve our policies and programs moving forward. Additionally, we are completing a baseline survey of diversity beyond gender to support the development of meaningful and measurable targets that will help us increase representation company-wide.

In 2021, we partnered with a third party to review our internal policies and programs to identify and help develop a plan to reduce structural and institutional bias. As part of our initiative, we held virtual employee listening sessions where employees could share their experiences and perspectives.

"At Capital Power, we are on a journey to empower each individual to bring their authentic self to work and build an organization that truly reflects the communities we serve. This commitment will allow Capital Power to best serve its stakeholders and achieve its goal of net carbon neutral, by drawing on the skills and commitment of a highly diverse workforce." – Shadé Ladipo, D&I Manager

Return to the workplace

Looking forward to the re-opening of our offices in 2022, in 2021 we introduced more flexible, hybrid working arrangements based on feedback from our employees. Corporate employees will have the ability to work a minimum of three days in our workplaces or up to five full days. To support our teams, we are providing increased resources to help leaders build effective hybrid teams, recognizing the importance of the results and not where the work was completed.

Attracting & retaining a diverse workforce

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

Starting in 2021, at least two qualified diverse external candidates were presented for interviews for corporate positions and a minimum of one diverse external candidate for all plant positions.

We work with a variety of service providers to help accelerate our efforts to attract and hire a diverse range of employees. We have collaborated with many of these providers over the years to establish a pipeline of high-talent candidates into Capital Power. We've also added new partners to align with our goal of expanding our diversity efforts to make sure our workforce reflects the communities we serve, and all of the dimensions of diversity represented in those communities.

44%

Women on Board of Directors

43%

Women in executive officer positions ☑

Increasing women in our workforce

Historically, our sector has been predominantly male. Today, that is changing through efforts to bring more women into the sector and provide opportunities for them to advance and thrive.

In 2017, we formalized a commitment to achieving 30% women representation on our Executive Team. As of year-end 2021, women make up 43% ☑ of our Executive Team.

In 2022, our goal is for 30% of new hires to be women across our entire workforce. To hold ourselves accountable, in 2022, the Executive Team and leadership performance share units will be tied to ESG measures, with specific targets for the growth of women leadership and an increase in broader workforce diversity.

Key collaborations

- **Equal by 30:** We are a member of this global campaign committed to working toward equal pay, equal leadership and equal opportunities for women in the clean energy sector by 2030. Equal by 30 is part of the global Clean Energy Education and Empowerment (C3E) initiative co-sponsored by the International Energy Agency and championed by Natural Resources Canada.
- **30 by 30:** Through our endorsement of this initiative, we have committed to investing in the creation and maintenance of programs, policies and partnerships that lead to an improved experience for women in engineering, and, ultimately, increase the percentage of newly licensed women engineers in Canada by 30%.

Inspiring women: a modern day Rosie the Riveter

In the 1940s, Rosie the Riveter was the star of a campaign aimed at recruiting women workers for defense industries during World War II.

More than 70 years later, Rosie is still one of the most iconic images of working women and now is lending her voice to a new campaign created by The Prosperity Project and co-sponsored by Capital Power and Ontario Power Generation.

The new Rosie the Riveter campaign encourages Canadian women to join, re-join or stay in the workforce – particularly in STEM, trades and leadership roles. Its efforts include:

- **Raising awareness about the lack of women's representation in STEM, skilled trades and leadership**
- **Promoting women's participation in STEM through inspiring stories about women in STEM and webinars about careers in STEM and skilled trades**
- **Mentoring women entering STEM, skilled trades and leadership fields and women already working in those sectors**

The Rosie campaign is one important way in which Capital Power is supporting progress toward its commitments to Equal by 30 and the 30 by 30 initiative.

the prosperity project

The changing face of our sector

Jena Tufts' engineering journey began in university with a passion for improving people's health and wellness. "I saw the real value that engineers can provide to the world, and this quickly turned into an interest in helping in the transition to a low-carbon future."

After earning a master's degree in mechanical engineering at the University of Alberta, Tuft joined Capital Power where she has supported multiple projects including power plant acquisitions, new wind development projects, wind project construction, operational compliance, transitioning Genesee coal-fired units to 100% dual fuel, and most recently as a mechanical project engineer on the Genesee Units 1 and 2 repowering project.

Today, she is one of a growing number of women engineers working at Capital Power and in the energy generation sector.

Diversity by the numbers

	Gender		Age		
	Women ☑ (%)	Men ☑ (%)	Under 30 years (%)	30–50 years (%)	Over 50 years (%)
Executive	43	57	0	14	86
Upper management	23	77	0	61	39
Professional	39	61	10	74	16
Administrative	97	3	8	70	22
Operations	7	93	6	55	39
Traders	11	89	17	83	0

Women represented

31%

of total hires at Capital Power in 2021

SPOTLIGHT INNOVATION

Leadership & development training

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

We also are working to ensure our leaders have the skills they need to lead effective, productive teams through our custom-built iLead Leadership Development program and The Coaching Habit. In 2021, LinkedIn Learning resources were available to our employees, including courses on leading in a new hybrid world, workplace resilience and difficult conversations. Beyond our in-house training platforms, we offer tuition support up to $3,000 annually per employee and a mentoring program (Powering Pairs) for employees at all levels of the organization.

We also offer the Summer Work Experience Program (SWEP) for employees' family and friends. In addition to giving students opportunities to work in their field of study, SWEP includes opportunities for students to learn more about the organization, including networking and learning from our employees.

Fostering holistic health & wellbeing

We believe that our employees are at their best when they lead healthy, balanced lives. Investment in employee wellbeing is provided through a diverse set of programs across our Corporate Wellbeing Strategy.

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

- Employee and Family Assistance Program that includes online content and access to counsellors in the areas of legal, family, financial, nutrition, naturopathic and health coaching
- Best Doctors®/Cigna Health Advocacy, which helps employees and eligible family members get a second opinion on a medical diagnosis, connect with specialists and navigate the health care system
- LifeSpeak, which includes wellbeing resources such as videos, live question and answer web chats hosted by subject matter experts, and additional online content
- Motivate Me, where U.S.-based employees and their dependents can receive incentive rewards when they complete annual preventative care
- To better support employee mental health, a separate, combined annual maximum of $2,500 per covered individual (increased from $1,250 in 2020) was included as part of our health benefits for licensed or registered mental health paramedical practitioners

In addition, Capital Power engages with tele-medicine providers, allowing employees to connect virtually with health care professionals. We also worked to increase awareness of mental health resources available to employees and reduce stigma around mental health. Partnering with the Mental Health Commission of Canada, we rolled out the Working Mind, a virtual program to help employees recognize early mental health indicators and better support the mental health of their teams and colleagues.

Supporting employees' financial health

Finances are one of the leading causes of poor physical and mental health, according to health-care research. To help our employees manage their financial wellbeing, we announced a new partnership in 2021 with Acquaint Financial, a digital financial wellness and money coach.

Acquaint helps Capital Power employees take charge of their finances by offering:

- **A "financial health check"**
- **A personalized action plan to improve financial wellbeing**
- **Financial planning tools on topics like debt and credit, investing, money management and budgeting, retirement, and taxation**
- **Answers to commonly asked financial questions**

Capital Power also supports full-time employees[1] by topping up their Personal Savings Accounts with $500 per year, which can be spent on:

- **Financial planning services**
- **Fees for financial planning professionals**
- **Estate planning, tax return services and will preparation**
- **Fraud prevention/assistance and credit monitoring services and products**

[1] Capital Power provides $250/year for part-time permanent employees.

COVID-19: continuing to put employee health & safety first

As the COVID-19 pandemic continued in 2021, Capital Power's first responsibility continued to be the safety and wellbeing of our employees and their families, while enabling high-level, uninterrupted service.

We continued execution of our pandemic plan, first activated in March 2020. This included:

- **Remote work, which was enacted March 13, 2020, continues with physical access to Capital Power sites restricted to workers that are essential to reliable operations**
- **Continuing fleet-wide protocols and procedures including signage, enhanced cleaning, site access screening protocols, COVID-19-specific personal protective equipment and contact tracing**
- **Providing rapid antigen screening at strategic generating sites**
- **Conducting monthly inspections at all sites to ensure adherence to COVID-19 protocols**
- **Using UV technology to sterilize control rooms**

In 2021, as health authorities around the world came to agreement that COVID-19 immunization was the most effective way to protect everyone from infection and prevent the spread of the disease, we announced a company-wide vaccination policy. Under the policy, which took effect December 6, 2021, all employees, contractors and visitors must be fully vaccinated to gain access to our sites or submit a negative rapid test.

We offered paid time off to all employees for COVID-19 vaccination appointments and held several all-employee Town Hall events where health experts provided evidence-based information on COVID-19 vaccination and answered questions.

Since the pandemic began, Capital Power has had no cases of onsite COVID-19 transmission and no material COVID-19 related impacts to operations.

2021 Top Employers accolades

- One of Alberta's Top Employers for 2021 for a sixth time from Canada's Top 100 Employers
- One of Canada's Top Employers for Young People for a third time from Canada's Top 100 Employers

Employee turnover

In 2021, our voluntary employee turnover rate for permanent employees was 5.36%; the total turnover rate, which includes the closures of the Roxboro and Southport facilities, was 16.48%.

We work with a third-party talent management company that provides transition support and assistance to all employees who leave on a non-voluntary basis. In 2021, this included 11 employees. Services for each employee are customized depending on their individual needs, and can include assistance to cope with change, personal career focus, effective job search strategies, marketing tools and career evaluation.

In 2021, we discontinued operations at, and our ownership of, our Southport and Roxboro power plants. The wellbeing of our employees at these facilities, many of whom have been part of our team for more than 10 years, was a top priority, and we worked to help and support them.

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

Occupational health & safety

Providing a safe and healthy workplace is the most fundamental obligation we have to employees and contractors working at our sites. Our mission – Zero Means Everything – targets zero accidents and injuries and guides all that we do to work safely each and every day.

We need safe workplaces and healthy employees to safely provide power to our communities.

Our *Health, Safety and Environment (HSE) Policy* defines the framework under which our health, safety and environment program is developed and maintained. The HSE Committee of the Board oversees HSE matters, including reviewing strategies, goals and policies; conducting due diligence; monitoring performance; and reviewing and recommending operational key performance metrics. The Board approves HSE objectives annually and measures performance through our HSE Performance Index.

All employees receive extensive and ongoing HSE training. Understanding of the training is confirmed through quizzes and competency is verified through hazard assessment review audits conducted by supervisors. Barriers to training and understanding are addressed through translators, e-learning in Spanish, and verbal training and testing, where required.

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

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

Using technology to improve worker safety

In the past, workers had to scale up to 456 feet to fix broken blades on wind turbines or inspect stacks at our thermal sites. Not only did this require time but it also increased risks to employee safety. In 2021, we began using drones to conduct this work (see pages 27 and 30), freeing our employees to focus on other tasks and significantly reducing their risk of falls.

Safety reporting

Employees are strongly encouraged to report all workplace hazards, near-miss events and incidents. Reports are formally entered into our electronic reporting system and are tracked to closure. Active reporting is a good indicator of an organization's safety culture. Overall reporting was strong, with 517 event reports in 2021 compared to 485 in 2020. We track and analyze events for trends and take preventative actions when trends are identified.

Changing how we measure health & safety

In 2021, Capital Power commissioned Dr. Matthew Hallowell, Executive Director of Safety Function and Endowed Professor of Construction Engineering at the University of Colorado at Boulder, to conduct an independent review of our health and safety metrics. While Dr. Hallowell found the Company's indicators to be strong, he offered several recommendations for further improvement. In our 2022 reporting, we will:

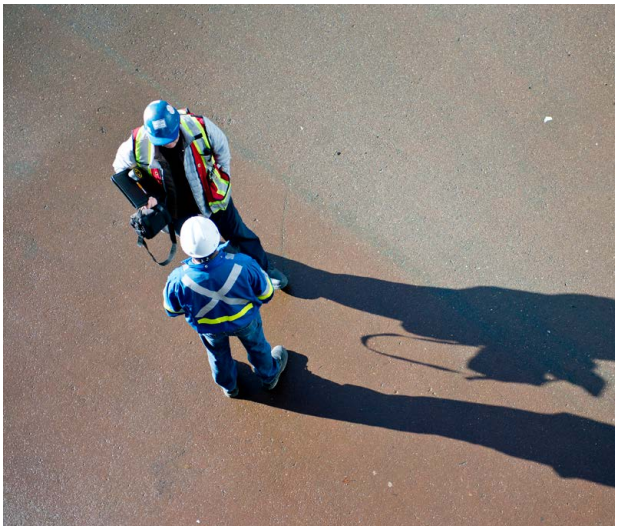
- **Continue to focus efforts on Leading Indicators which are considered to be industry best practices**
- **Measure TRIF frequencies on a five-year rolling average rather than a single year. By doing so, Capital Power will leverage 12 to 13 million worker hours of exposure time, allowing us to produce a statistically valid metric.**
- **Develop a risk-based metric as a lagging indicator that includes all actual incident types (i.e., incidents requiring first aid, medical treatments, restricted work, and lost-time incidents) that will be rolled into one metric. This approach will involve weighting each severity level by its relative impact and computing a weighted sum using the injury counts across all severity types.**
- **Formally incorporate our Recordable Injury with Critical Potential (RICP) serious injury metric into our 2022 objectives**
- **Align Capital Power's existing Life Critical Standards and Life Event criteria with the Edison Electric Institute's Safety Classification and Learning Model, which examines the causes and prevention of serious injuries**

2021 highlights

- Achieved an HSE Performance Index of 1.08, representing the eighth consecutive year of reaching or bettering our 1.0 target
- Development of a mandatory Investigation 101 training program for leadership. The training was fully implemented in 2021. Applying formal investigation training demonstrates continuous improvement which will reflect positively throughout the Company as it will improve the identification of causes and effective corrective actions to prevent reoccurrence.
- Achieved the Alberta Certificate of Recognition (COR) which is awarded to employers who develop health and safety programs that meet established standards. A COR shows that the employer's health and safety management system has been evaluated by a certified auditor and meets provincial standards established by Occupational Health and Safety (OHS).
- Best-ever performance on Capital Power's serious injury frequency metrics which included Recordable Injury with Critical Potential at 0.00 and Life Event Frequency at 0.24

0.60[1]

2021 Total Recordable Injury Frequency (TRIF) (Operations/Corporate) compared to a target of 0.70, which was the best performance since 2017 ☑



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

Community Engagement

In this section:

- **Stakeholder engagement**
- **Community investment**
- **Indigenous communities & engagement**

Building a brighter tomorrow together

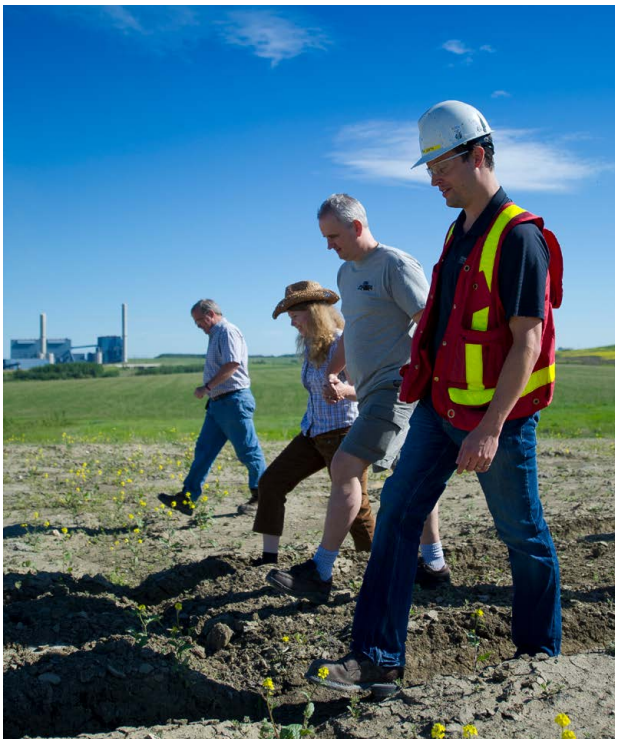
We engage with a wide variety of stakeholders – from investors, employees, communities, and local and Indigenous communities, to regulators, business partners, customers and industry groups. Through regular and thoughtful engagement, we deepen our understanding of what's important and seek opportunities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

Stakeholder engagement

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

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

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



Working with stakeholders to support biodiversity

A key area where we engage closely with local communities and other partners is in support of biodiversity. This includes land reclamation and reforestation practices and research when opportunities exist. We consider biodiversity from business development to project planning and design, through construction and operations to remediation and final decommissioning, ensuring we minimize our impacts to wildlife and the land.

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

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

In 2021, we planted 6,000 trees in restoration areas. In total, we have reclaimed 1,298 hectares at the Genesee Mine (39% of the total surface area), which now includes farmland and reforested and wetland areas. This previously mined area is now fully productive farmland and wildlife habitat.

2021 engagement

In 2021, we engaged stakeholders on 12 major projects involving regulatory processes and new development opportunities in Canada and the United States. Due to COVID-19, we continued to meet with stakeholders primarily virtually to help ensure the safety of our stakeholders and employees. We held minimal in-person consultations and implemented COVID-19 protocols when doing so (e.g., social distancing and wearing appropriate PPE). Below are examples of how we engaged:

- In January we launched a public involvement process for the Genesee Carbon Conversion Centre (GC^3), a commercial-scale production facility of carbon nanotubes (CNTs). This process was in support of a regulatory application to the Alberta Utilities Commission, which was approved in June 2021. We shared information with numerous stakeholders in the project area and provided opportunities for feedback. Notably, we heard interest from several Indigenous communities in the area and found opportunities to provide information to them, including potential contracting opportunities that may arise from the project, whether through construction or operations.
- Following the announcement that our Southport and Roxboro facilities in North Carolina would close on March 31, 2021, we received questions about several related issues, including impacts of the forthcoming demolition, salvage of the facilities and the reclamation of both sites. We communicated with stakeholders (residents and local governments) near these facilities via newsletters and letters, sharing timely information about the demolition process, including possible noise and traffic impacts. We also shared information with the residents and municipalities about future reclamation work.
- We undertook numerous public engagement activities related to two solar projects now under construction in southern Alberta. We worked with the Town of Strathmore to assist in the promotion of a job fair hosted by our prime contractor, Borea Construction. Approximately 150 job candidates participated in this COVID-19 safe event. A second job fair was held in late September. Construction of the Enchant Solar project also commenced in late 2021. Our primary means of engaging landowners and local government officials is through direct communication through our project team and project updates mailed to stakeholders in the project area. Where possible, the project team is working to secure local contractors for the construction process.
- We re-engaged with the community about our Halkirk 2 Wind project, an approved 151 MW wind project in east-central Alberta. The project had received some vocal opposition with concerns about issues such as property value, noise, lighting and land impacts. Our project redesign has worked to incorporate stakeholder feedback and our engagement plans are focused on active listening, providing more opportunity for community discussions and feedback (e.g., virtual workshops, drop-in sessions and one-on-one meetings with specific COVID protocols in place) and providing summary documentation to stakeholders and for Capital Power's records. Overall community feedback received has been appreciation and acknowledgment of the improved project design.

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

Community investment

We have long invested in programs to improve the quality of life where we live and work.

To ensure we focus on areas where need is greatest, in 2021, we conducted employee surveys and focus groups to gather fresh perspectives and input. Based on feedback and to align with our corporate purpose, our refreshed community investment strategy focuses on three main pillars:

Equity & culture	Wellbeing	Climate action
Providing resources and supporting change to increase equity for all and to celebrate our diverse cultures.	Building healthy communities where everyone can thrive.	Leading action, education and implementation of technologies and practices to strengthen the resilience of our communities in the face of climate change.

In 2021, Capital Power contributed $1.8 million ☑ to community organizations. Recognizing the enormous toll that the COVID-19 pandemic has taken on the world, we are committed to increasing our community investment contributions to 1% of our pre-tax profit by 2022, from our current baseline of 0.43%.

In 2021, employees received over $143,000 in matching donations through our GENerosity matched giving program, resulting in more than $287,000 in donations to over 230 charities chosen by our employees. In addition, more than 110 employees directed nearly $60,000 to over 100 community service organizations through our EmPowering Communities Program, which recognizes volunteer time with a grant to the employee's organization of choice. Together with their families, these employees reported over 10,000 volunteer hours.

› For more information, please visit our website.

GENerosity: Let's Rally Together! Creating a sense of community purpose

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

In 2021, Capital Power rallied together with its employees to raise $365,000 in donations to fight poverty within only one week to support more than 100 relief organizations in our communities across North America through the Company's "GENerosity: Let's Rally Together" matched-giving campaign. This year's campaign was the Company's most successful yet.

Supporting equity in STEM education & careers

We believe that everyone should have access to high-quality educational opportunities, and we work with partners who share our commitment. One such partner is Discovery Education.

In 2021, we joined the STEM Careers Coalition, a first-of-its kind national STEM initiative led by Discovery Education. It provides content, including easy-to-use digital tools, to classrooms, students and partner schools that supports students' career preparedness.

As a partner in the coalition, Capital Power is helping to:

- Reach 4.3 million students with STEM-related educational resources
- Support more than 700 schools with access to STEM teaching and learning curricula and professional development

Supporting environmental heroes

We are a proud sponsor of the Alberta Emerald Awards, which celebrate and recognize environmental initiatives by businesses, youth and non-profit organizations. Since 1992, the Emerald Awards have showcased over 350 recipients and 850 finalists who are raising the bar in addressing local, regional and global environmental and climate issues.

Honouring Treaty 6

In August, we joined other industry partners at the Paul First Nation's Treaty Day, an annual event commemorating the signing of Treaty 6 between the Canadian government and Indigenous nations. Our Genesee Generation Station is a neighbour to Paul First Nation.

Supporting our communities

Through our Giving & Gratitude holiday employee giving campaign, we contributed more than $290,000 in holiday donations to mental health, food security or poverty-supporting organizations in communities across North America.

Indigenous communities & engagement

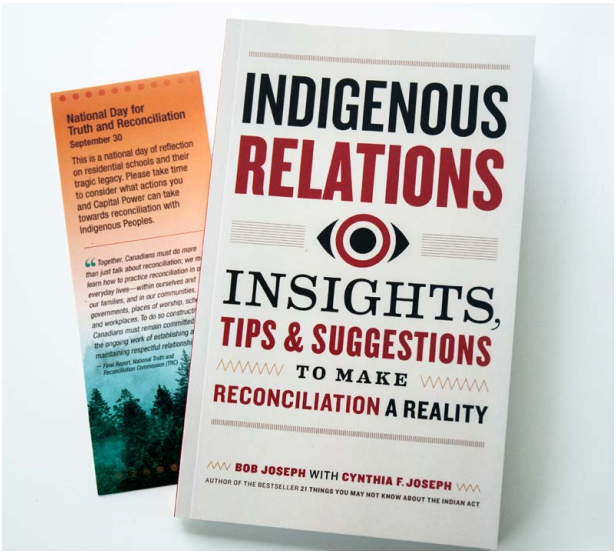
Since late 2020, we have been developing a new Indigenous relations strategy and program that will consider not only how we engage with communities near our operations, but how we participate in the reconciliation process at a regional and national level. As we develop our approach, we look to guidance from Call to Action 92 of the Truth and Reconciliation Commission Report.

Key components of the strategy include:

- Publishing an Indigenous Relations Statement of Principles and Policy in 2022
- Providing company-wide Indigenous cultural awareness training to all employees starting in 2022
- Working to increase economic and business development opportunities with Indigenous communities
- Exploring employment, training and apprenticeship opportunities with Indigenous communities
- Participating in the national discussion on reconciliation through events, conferences and industry networks such as the Canadian Council for Aboriginal Business
- Expanding our community investment programs to be more inclusive of Indigenous communities

In 2022, we will continue implementing the strategy and will share our progress in future reports.

In 2021, we marked National Indigenous People's Day and Canada's first National Day for Truth and Reconciliation by hosting virtual digital circles (cultural awareness sessions) for our employees and distributing an Indigenous relations book that provides additional ways they can participate in reconciliation.



We will seek to be an active participant and ally with Indigenous communities through listening, learning and providing our skills and expertise to create strong, authentic and healthy relationships.

Engaging Indigenous communities where we operate

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

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

Respecting aboriginal & treaty rights

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

- **Mutual respect**
- **Open, honest and transparent communication and sharing of information in a timely manner**
- **Building respectful long-term relationships**
- **Facilitating and supporting Indigenous involvement in projects**
- **Engaging in dialogue and working cooperatively**
- **Respecting distinct identities, interests and priorities while exploring common interests and opportunities to work together for mutual gain**
- **Engagement and consultation processes that are meaningful and results oriented**
- **Sharing information about projects and facilities, with the aim of seeking meaningful input**
- **Sharing of ideas and commitment to joint problem solving**
- **Protecting culturally sensitive resources and information of Indigenous communities**
- **Addressing the substance of the Indigenous community's concerns, and, wherever possible, integrating such concerns into a proposed plan of action**

Honouring lives lost

As the tragic reality of unmarked graves at Indian residential school sites across Canada continues to come to light, Capital Power was proud and humbled to sponsor Plains Cree artist George Littlechild's "Here I Am – Can You See Me?" exhibition at the Art Gallery of Alberta. Over the course of his 40-year career, Littlechild has been committed to addressing the wrongs that Indigenous peoples have endured, by creating works of art that focus on cultural, social and political injustices. Seeking to honour the lives lost at residential schools, the exhibition included a series of drawings of Indigenous children, graves and the discharged records of those who attended the resident school in Maskwacis, Alberta, formally known as Hobbema.

Governance & Ethics

In this section:

- **Corporate governance**
- **Sustainability governance**
- **Ethics & integrity**

Corporate governance

Effective corporate governance is critical to both our long-term performance and maintaining stakeholder trust. Our Board has a diversity of knowledge, expertise and ways of thinking that help us transition our business, manage risks and continue to deliver value over the long term.

As of December 31, 2021, our Board of Directors consisted of nine directors – five men and four women. One director has self-identified as a visible minority and one as LGBTQ2S+. Of the nine directors, eight are independent, including our Board Chair, Jill Gardiner. In April 2021, Jill Gardiner succeeded Donald Lowry, who after 12 successful years as Chair, and having reached his term limit, retired from the Board.

Our Board has adopted corporate governance policies and practices to promote sound and effective governance and establish a set of expectations and requirements to ensure our business is conducted ethically and effectively.

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

Capital Power Board member Doyle Beneby was recognized as one of the 2021 Most Influential Black Corporate Directors by Savoy Magazine.

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

- Considers candidates on merit against objective criteria with due regard for the benefits of diversity and provides that extra weight will be given to qualified women candidates and qualified candidates that bring diversity beyond gender in final nomination decisions
- Establishes goals of: (i) 40% for the minimum representation of women as Independent Directors on our Board, (ii) 30% for the minimum representation of women on our Executive Team and (iii) 20% for the minimum representation of visible minorities, Indigenous people, persons with disabilities, or LGBTQ2S+ as Independent Directors on our Board
- Outlines that as part of its performance review of the Board, the Board committees and individual directors, the PCG Committee considers their balance of skills and experience, independence, diversity and knowledge of Capital Power

Annually, the Board's People, Culture and Governance Committee will review the Board Diversity Policy and its effectiveness in promoting a diverse Board and the progress of Capital Power in achieving the established goals.

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

Tying executive compensation to sustainability goals

In 2021, the percentage of short-term remuneration of Capital Power management based on social and environmental targets, including worker safety, employee retention and achieving lower GHG emissions, increased to 25% from 20% in 2020.

To better align with the sustainability components of our corporate strategy, we will include workforce diversity and emission reduction measures in our 2022 Executive Team and leadership long-term objectives and targets. We will use performance share units for this purpose because they reflect our *actual* performance unlike options, which are primarily determined by total shareholder return and can therefore be affected by capital market factors.

Leadership

The Executive Team and Company are focused on executing on the strategic plan, with oversight and guidance from the Board, to build value for investors, align with the interests of our stakeholders and maintain our leadership position in the development of responsible energy *to power a sustainable future for people and planet*.

Board of Directors

Jill Gardiner
Board Chair

Brian Vaasjo
President and Chief Executive Officer

Katharine Stevenson

Doyle Beneby

Barry Perry

Kelly Huntington

Keith Trent

Jane Peverett

Robert Phillips

Executive Leadership Team

Brian Vaasjo
President and Chief Executive Officer

Sandra Haskins
Senior Vice President, Finance and Chief Financial Officer

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

Bryan DeNeve
Senior Vice President, Operations

Chris Kopecky
Senior Vice President and Chief Legal, Development and Commercial Officer

Steve Owens
Senior Vice President, Construction and Engineering

Jacquie Pylypiuk
Senior Vice President, People, Culture and Technology

Sustainability governance

Board of Directors

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

Health, Safety and Environment Committee

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

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

People, Culture and Governance Committee

Oversees matters related to:

- Corporate governance
- Board effectiveness
- Director and CEO succession planning
- People Services and workplace culture
- Compensation targets and frameworks (including components linked to ESG targets)
- Equity, diversity and inclusion
- Talent management and succession planning

Audit Committee

Oversees matters related to public disclosures including the:

- Annual Information Form
- Financial statements
- Management's discussion and analysis
- Sections of the integrated report related to financial reporting

Chief Executive Officer

Responsible for all aspects of the business of the Company, including management's approach to climate-related risks and sustainability

Chief Financial Officer (Senior Vice President, Finance and CFO)

Responsible for long-term financial strategy and planning, financial disclosure, insurance and all financial functions. Oversees financial administration of our carbon taxes and offsets, sustainability-linked finance, and financial sustainability.

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

Responsible for strategic and sustainability planning and reporting, market forecasting and analytics, regulatory and government relations, environmental policy, stakeholder engagement, community investment, communications, ethics and compliance, and internal audit. The CSO ensures sustainability is embedded in the Company's strategy and decision-making process.

Chief Legal Officer (Senior Vice President and Chief Legal, Development and Commercial Officer)

Responsible for legal compliance and legal affairs, including related ESG risks and opportunities. Leads investment in renewables and low-carbon generation. Oversees carbon offsets and environmental credit portfolio.

Senior Vice President, People, Culture and Technology

Responsible for people and information services, including strategic workforce planning, equity, diversity and inclusion initiatives, training and development, and cyber and asset security. Ensures future-focused workforce has the ability, agility and technological support to address sustainability matters.

Senior Vice President, Operations

Responsible for operations, health, safety, environment and supply chain. Optimizes fleet to reduce Scope 1 emissions, improve operational efficiencies and ensure environmental compliance. Leads emissions reporting and implementation of low-carbon innovations.

Senior Vice President, Construction and Engineering

Responsible for the safe, cost-effective and timely construction of all development projects. Responsible for environmental compliance during construction, and oversees engineering and design for decarbonization projects, including CCUS and hydrogen firing.

GRI 102-18, 102-19, 102-20, 102-22, 102-26, 102-29, 102-31, 102-32, 401-103, 402-103, 406-103, INN-103, ASE-103

Ethics & integrity

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

A key element to achieving our targets and limiting corporate liability and risk is a strong culture of compliance and ethics. Capital Power employs a formal and transparent Compliance & Ethics Program that not only incorporates requirements to comply with applicable laws and regulations in the jurisdictions where we operate but also considers compliance and ethical best practices.

We are committed to:

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

All people leaders are responsible for both behaving ethically every day and ensuring their direct reports do too, while maintaining an atmosphere of trust, fairness and integrity in which employees feel comfortable bringing up and working though ethical dilemmas.

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

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

Beginning with onboarding and then every two years, all employees and Board directors must certify that they have received, read, understood, and will comply with our *Ethics Policy*. Our Chief Compliance Officer also conducts biennial training with employees and onsite contractors on the Company's *Ethics Policy* and *Respectful Workplace Policy* on workplace discrimination, harassment, sexual harassment and workplace violence. In 2021, training was conducted virtually, in-person by our Chief Compliance Officer, or through our online learning management system.

2021 WORLD'S MOST ETHICAL COMPANIES® ™
WWW.ETHISPHERE.COM
3-TIME HONOREE

Our commitment to ethics

Capital Power was proud to be recognized for the third straight year by the Ethisphere® Institute as one of the World's Most Ethical Companies® in 2021 – the only Canadian energy & utility sector company named to the list.

GRI 102-17, 102-18, 102-22, 307-103, 308-103, 406-103, 419-103, ASE-103, DRR-103, CSE-103, TND-103

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

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

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

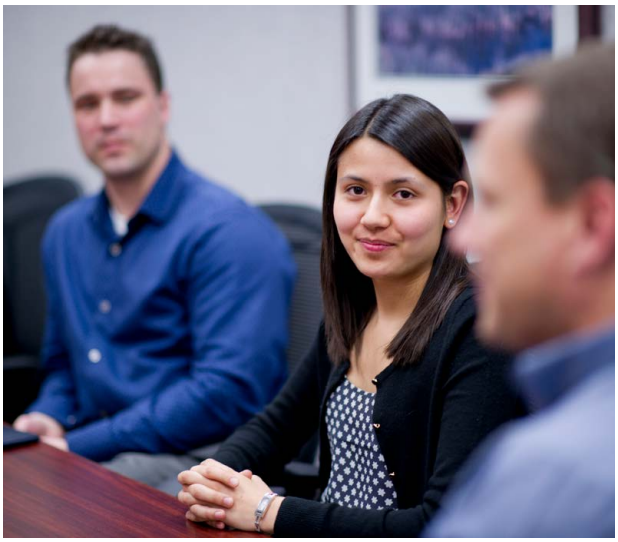
We will continually assess the effectiveness of our *Ethics Policy* through our employee engagement survey, pulse surveys and employee feedback. Results are reviewed with each business unit and questions and concerns are addressed by the Chief Compliance Officer. Identified and emerging risks are addressed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

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

In 2021, we changed the name of our reporting system from Integrity Hotline to Integrity Helpline to emphasize that employees can also reach out with questions or to seek guidance, in addition to reporting concerns.

Building a culture of compliance

In 2021, we kicked off our annual Compliance and Ethics Week with a message on ethical leadership, introducing our new values (see page 4). The week also included daily company-wide communications and two lunch-time webinars, one featuring a business ethics case study and the other examining emerging trends in regulatory compliance.



GRI 102-17, 102-18, 102-22, 307-103, 308-103, 406-103, 419-103, ASE-103, DRR-103, CSE-103, TND-103

Business Report

This business report, prepared as of February 23, 2022, should be read in conjunction with the audited consolidated financial statements of Capital Power Corporation and its subsidiaries for the years ended December 31, 2021 and December 31, 2020, the annual information form of Capital Power Corporation for the year ended December 31, 2021 and the remainder of the 2021 Integrated Annual Report, including both the sections preceding this business report and the cautionary statements regarding forward-looking information which begin on page 117.

In this business report, financial information for the years ended December 31, 2021, 2020 and 2019 is based on the audited consolidated financial statements of the Company which were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars unless otherwise specified. In accordance with its terms of reference, the Audit Committee of the Company's Board of Directors reviews the contents of the business report and recommends its approval by the Board of Directors (the Board). The Board approved this business report as of February 23, 2022.

In this section

Performance overview

The Company measures our operational and financial performance in relation to our corporate strategy and progress toward our sustainability objectives through financial and non-financial targets that are approved by the Board. The measurement categories include corporate measures and measures specific to certain groups within the Company. The corporate measures are company-wide and include adjusted funds from operations and safety. The group-specific measures include facility operating margin and other operations measures, committed capital, construction and sustaining capital expenditures on budget and on schedule, and facility site safety. See Strategy & Targets on page 8 for details on the Company's roadmap toward net carbon neutral by 2050.

Operational excellence

Performance measure

The Company's facility availability averaged 90%, which reflected planned outages at Clover Bar Energy Centre, Joffre, Shepard, York Energy, Goreway, Decatur Energy and Arlington Valley. Overall portfolio unplanned outage rates were generally in line with expectations, outside of the Genesee 2 outage, with unplanned outages at Genesee, Clover Bar Energy Centre, Island Generation and Decatur Energy. Full-year facility availability is below target mainly driven by the Genesee 2 unplanned outage.

Sustaining capital expenditures were higher than target primarily due to additional spend related to the Genesee 2 unplanned outage and additional costs incurred on the Arlington Valley planned outage. The Genesee 2 outage is an insurable event and insurance recoveries that have been received and accrued to date are recorded within the statement of income as gains on disposals and other transactions for damage insurance and other income for business interruption insurance.

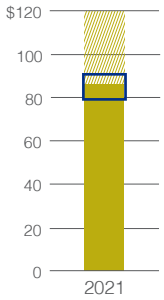
Facility availability average

90%

Actual results

2021 target of 93% or greater

Sustaining capital expenditures (in millions)



$120

Actual results[1]

Target $80 to $90

Actual expenditures related to Genesee 2 unplanned outage

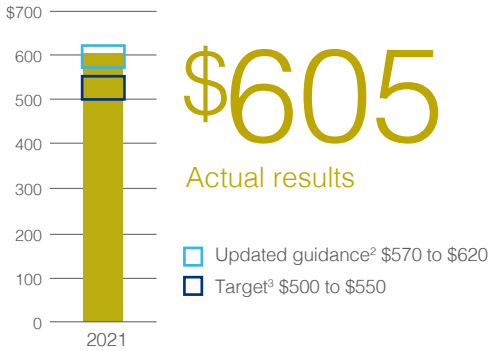
[1] Includes sustaining capital expenditures net of joint venture contributions of $10 million.

Disciplined growth

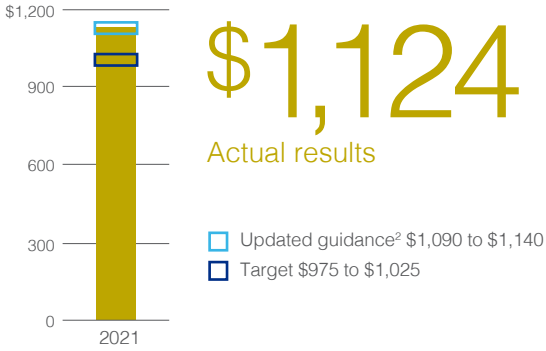
Performance measure	2021 target	Status as at December 31, 2021
Repowering of Genesee 1 and 2	Pending regulatory approval, expect construction to begin in the third quarter of 2021, with an anticipated in-service date in late 2023 for the repowered Genesee 1 and 2024 for Genesee 2.	All regulatory approvals have been received and construction commenced in 2021. The anticipated in-service dates remain consistent with target.
Renewable projects:	Target completion dates on time and on budget for 2021 projects and progress on the development of 2022 projects to be on track with budget and completion dates.	Strathmore Solar and Enchant Solar are facing cost pressures and are now expected to be over budget (see Liquidity and Capital Resources, page 81). The target completion dates have moved to the fourth quarter of 2024 for Bear Branch Solar, Hornet Solar and Hunter's Cove Solar as a result of delays in the interconnection process. Aside from these noted exceptions to projected spending and timing, the projects remain on budget and on track with their targeted in-service dates.
Whitla Wind (Phases 2 & 3) (Alberta)	Fourth quarter of 2021	Phases 2 and 3 completed ahead of schedule and under budget.
Strathmore Solar (Alberta)	Early 2022	
Enchant Solar (Alberta)	Fourth quarter of 2022	
Bear Branch Solar (North Carolina)	Fourth quarter of 2022	
Hornet Solar (North Carolina)	Fourth quarter of 2022	
Hunter's Cove Solar (North Carolina)	Fourth quarter of 2022	
Other growth	$500 million of committed capital	In the fourth quarter of 2021, the Company announced that, subject to successful permitting and regulatory approvals, it is moving forward with the 151 MW phase 2 of Halkirk Wind at an expected capital cost of $274 million and that it will be adding 210 MW of battery storage to the Genesee 1 and 2 repowering project at an expected capital cost of $195 million.

Financial stability and strength

Adjusted funds from operations (in millions)[1]



Adjusted EBITDA (in millions)[1]



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

[2] Upon release of the Company's second quarter results and based on the Company's year-to-date results and expectations for the remainder of the year at that time, the Company provided updated guidance for 2021. The increased guidance ranges were driven most notably by the strength of the Alberta power market, inclusive of actual performance in the first half of 2021 and expectations for the back half of 2021. The updated guidance ranges considered the Company's existing Alberta portfolio position for the remainder of the year as well as strong forward pricing for our remaining Alberta generation. Additionally, the estimated impacts of the Genesee 2 outage that occurred subsequent to the close of the second quarter were included in the updated guidance ranges.

[3] Target excludes impact from the Line Loss Rule (LLR) Proceeding. Actual results for the year ended December 31, 2021, as well as the 2021 updated guidance, reflect a cash outflow of $13 million related to the LLR Proceeding.

Non-GAAP financial measures and ratios

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

The Company also uses AFFO per share and normalized earnings per share as performance measures. These measures are non-GAAP ratios determined by applying AFFO and normalized earnings attributable to common shareholders, respectively, to the weighted average number of common shares used in the calculation of basic and diluted earnings per share.

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

Adjusted EBITDA

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

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

	Year ended December 31		Three months ended							
(unaudited, $ millions)	**2021**	2020	**Dec 2021**	**Sep 2021**	**Jun 2021**	**Mar 2021**	Dec 2020	Sep 2020	Jun 2020	Mar 2020
Revenues and other income	**1,990**	1,937	**672**	**377**	**387**	**554**	516	453	435	533
Energy purchases and fuel, other raw materials and operating charges, staff costs and employee benefits expense, and other administrative expense	**(1,108)**	(1,021)	**(506)**	**(162)**	**(176)**	**(264)**	(321)	(144)	(233)	(323)
Remove unrealized changes in fair value of commodity derivatives and emission credits included within revenues and energy purchases and fuel	**220**	15	**123**	**66**	**24**	**7**	19	(31)	9	18
Adjusted EBITDA from joint venture[1]	**22**	24	**5**	**5**	**6**	**6**	6	6	6	6
Adjusted EBITDA	**1,124**	955	**294**	**286**	**241**	**303**	220	284	217	234
Depreciation and amortization	**(539)**	(478)	**(137)**	**(133)**	**(132)**	**(137)**	(122)	(115)	(121)	(120)
Unrealized changes in fair value of commodity derivatives and emission credits	**(220)**	(15)	**(123)**	**(66)**	**(24)**	**(7)**	(19)	31	(9)	(18)
Impairment (losses) reversals	**(58)**	(26)	**(52)**	**(8)**	**2**	**–**	(13)	–	–	(13)
Gains (losses) on acquisition and disposal transactions	**36**	–	**6**	**31**	**(3)**	**2**	–	–	–	–
Foreign exchange (losses) gains	**(9)**	–	**(1)**	**(7)**	**(2)**	**1**	5	1	3	(9)
Net finance expense	**(174)**	(197)	**(44)**	**(43)**	**(46)**	**(41)**	(57)	(47)	(49)	(44)
Finance expense and depreciation expense from joint venture[1]	**(13)**	(27)	**(4)**	**(4)**	**(5)**	**–**	(4)	(4)	(6)	(13)
Income tax expense	**(60)**	(82)	**(8)**	**(18)**	**(14)**	**(20)**	(9)	(44)	(12)	(17)
Net income (loss)	**87**	130	**(69)**	**38**	**17**	**101**	1	106	23	–
Net income (loss) attributable to:										
Non-controlling interests	**(11)**	(6)	**(4)**	**(2)**	**(3)**	**(2)**	(2)	(2)	–	(2)
Shareholders of the Company	**98**	136	**(65)**	**40**	**20**	**103**	3	108	23	2
Net income (loss)	**87**	130	**(69)**	**38**	**17**	**101**	1	106	23	–

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

Adjusted funds from operations and adjusted funds from operations per share

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

AFFO represents net cash flows from operating activities adjusted to:

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

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

	Year ended December 31		Three months ended December 31	
(unaudited, $ millions)	**2021**	2020	**2021**	2020
Net cash flows from operating activities per consolidated statements of cash flows	**867**	611	**185**	159
Add (deduct) items included in calculation of net cash flows from operating activities per consolidated statements of cash flows:				
Interest paid	**111**	132	**13**	31
Realized (gains) losses on settlement of interest rate derivatives	**(12)**	5	**–**	6
Change in fair value of derivatives reflected as cash settlement	**43**	14	**26**	(12)
Distributions received from joint venture	**(11)**	(11)	**(3)**	(3)
Miscellaneous financing charges paid[1]	**5**	6	**1**	2
Income taxes (recovered) paid	**(7)**	41	**6**	3
Change in non-cash operating working capital	**(100)**	(26)	**5**	(14)
	29	161	**48**	13
Net finance expense[2]	**(121)**	(141)	**(28)**	(35)
Current income tax expense[3]	**(44)**	(38)	**(25)**	(12)
Sustaining capital expenditures[4]	**(120)**	(73)	**(21)**	(23)
Preferred share dividends paid	**(51)**	(52)	**(13)**	(13)
Cash received from off-coal compensation	**50**	50	**–**	–
Remove tax equity interests' respective shares of adjusted funds from operations	**(7)**	(7)	**–**	(1)
Adjusted funds from operations from joint venture	**15**	17	**3**	4
Line Loss Rule Proceeding[5]	**(13)**	(6)	**–**	(6)
Adjusted funds from operations	**605**	522	**149**	86
Weighted average number of common shares outstanding (millions)	**112.1**	105.3	**116.0**	105.7
Adjusted funds from operations per share ($)	**5.40**	4.96	**1.28**	0.81

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

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

[3] For the three months and year ended December 31, 2021, excludes current income tax recoveries related to the Genesee 3 and Keephills 3 swap transaction of $2 and $16 million, respectively, as these amounts are considered investing activities (three months and year ended December 31, 2020 – nil and $20 million).

[4] Includes sustaining capital expenditures net of partner contributions of $10 million and $2 million for the year and three months ended December 31, 2021, respectively, compared with $5 million and $1 million for the year and three months ended December 31, 2020, respectively.

[5] Consistent with the Company's definition of AFFO described above pertaining to the LLR Proceeding, AFFO for the three months and year ended December 31, 2021 is impacted only by the Company's net obligations related to the 2006–2009 and 2010–2013 invoice tranches and AFFO for the three months and year ended December 31, 2020 is impacted only by the Company's net obligation related to the 2014–2016 invoice tranche (see Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 85).

Normalized earnings attributable to common shareholders and normalized earnings per share

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

(unaudited, $ millions except per share amounts and number of common shares)	Year ended December 31		Three months ended							
	2021	2020	**Dec 2021**	**Sep 2021**	**Jun 2021**	**Mar 2021**	Dec 2020	Sep 2020	Jun 2020	Mar 2020
Basic earnings (loss) per share ($)	**0.39**	0.78	**(0.67)**	**0.23**	**0.05**	**0.83**	(0.09)	0.89	0.10	(0.11)
Net income (loss) attributable to shareholders of the Company per Consolidated Statements of Income	**98**	136	**(65)**	**40**	**20**	**103**	3	108	23	2
Preferred share dividends including Part VI.1 tax	**(54)**	(54)	**(13)**	**(13)**	**(14)**	**(14)**	(13)	(14)	(13)	(14)
Earnings (loss) attributable to common shareholders	**44**	82	**(78)**	**27**	**6**	**89**	(10)	94	10	(12)
Unrealized changes in fair value of derivatives[1]	**146**	17	**83**	**48**	**25**	**(10)**	12	(28)	3	30
Genesee 2 forced outage[2]	**(17)**	–	**(5)**	**(12)**	**–**	**–**	–	–	–	–
Provision for contingency	**–**	–	**–**	**(6)**	**6**	**–**	–	–	–	–
Impairment losses (reversal)[3]	**45**	20	**41**	**6**	**(2)**	**–**	10	–	–	10
Reduction in applicable jurisdictional tax rates	**–**	–	**10**	**–**	**–**	**(10)**	–	–	–	–
Provision for Line Loss Rule Proceeding[4]	**(1)**	4	**–**	**–**	**–**	**(1)**	1	–	3	–
Other	**4**	5	**4**	**–**	**–**	**–**	–	3	2	–
Normalized earnings attributable to common shareholders	**221**	128	**55**	**63**	**35**	**68**	13	69	18	28
Weighted average number of common shares outstanding (millions)	**112.1**	105.3	**116.0**	**115.5**	**109.7**	**106.8**	105.7	105.1	105.1	105.4
Normalized earnings per share ($)	**1.97**	1.22	**0.47**	**0.55**	**0.32**	**0.64**	0.12	0.66	0.17	0.27

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

[2] See Significant Events, page 66.

[3] See Consolidated Other Expenses and Non-Controlling Interests, page 78, and Regulatory Matters, page 101.

[4] See Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 85.

Financial highlights

(unaudited, $ millions, except per share amounts)	Year ended December 31		
	2021	2020	2019
Revenues and other income	**1,990**	1,937	1,963
Adjusted EBITDA[1]	**1,124**	955	1,029
Net income	**87**	130	119
Net income attributable to shareholders of the Company	**98**	136	125
Normalized earnings attributable to common shareholders[1]	**221**	128	140
Basic earnings per share ($)	**0.39**	0.78	0.73
Diluted earnings per share ($)[2]	**0.39**	0.77	0.72
Normalized earnings per share ($)[1]	**1.97**	1.22	1.34
Net cash flows from operating activities	**867**	611	720
Adjusted funds from operations[1]	**605**	522	555
Adjusted funds from operations per share ($)[1]	**5.40**	4.96	5.32
Purchase of property, plant and equipment and other assets, net	**622**	318	633
Dividends per common share, declared ($)	**2.1200**	1.9850	1.8550
Dividends per Series 1 preferred share, declared ($)	**0.6553**	0.7650	0.7650
Dividends per Series 3 preferred share, declared ($)	**1.3633**	1.3633	1.3633
Dividends per Series 5 preferred share, declared ($)	**1.3095**	1.3095	1.3095
Dividends per Series 7 preferred share, declared ($)[3]	**1.5000**	1.5000	1.5000
Dividends per Series 9 preferred share, declared ($)	**1.4375**	1.4375	1.4375
Dividends per Series 11 preferred share, declared ($)	**1.4375**	1.4375	0.8960

	At December 31		
	2021	2020	2019
Loans and borrowings including current portion	**3,360**	3,552	3,413
Total assets	**9,073**	8,911	8,582

[1] The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share, AFFO and AFFO per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios, page 60.

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

[3] See Significant Events, page 66.

See Consolidated Net Income and Results of Operations, page 72, for discussion of the key drivers of the changes in revenues and other income, adjusted EBITDA, net income and net income attributable to shareholders of the Company.

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

See Liquidity and Capital Resources, page 81, for discussion of the key drivers of the changes in net cash flows from operating activities. AFFO for 2021 was higher than in 2020 primarily due to higher AFFO from our Alberta commercial facilities, mainly due to higher realized power pricing, and lower net finance expense impacting AFFO in 2021. These increases were partially offset by lower AFFO from our U.S. and Ontario contracted facilities, the AFFO impact of the second and third tranches of LLR Proceeding invoices in 2021 as compared to the impact of the first tranche in 2020 and higher sustaining capital expenditures, net of accrued insurance recoveries on the sustaining capital expenditures related to the Genesee 2 forced outage in 2021. Additional details pertaining to operational variances described above can be found in the respective sections in Consolidated Net Income and Results of Operations, page 72.

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

Significant events

Executed six-year tolling agreement extension for Arlington Valley

On December 31, 2021, the Company executed a six-year tolling agreement extension through October 2031 for its Arlington Valley facility with the current counterparty. When Capital Power announced the acquisition of Arlington Valley in 2018, the Company provided a forecasted average adjusted EBITDA of US$35 million per year (ranging from US$32 million to US$38 million) and US$16 million of AFFO during the six-year period from 2020 to 2025. Under the terms of the tolling agreement extension, adjusted EBITDA will move toward the low end of the original guidance range for 2024 and 2025 before increasing to an average of US$47 million (ranging from US$42 million to US$49 million) per year and US$34 million of AFFO per year for the six-year period from 2026 to 2031.

Preferred shares, Series 7, redemption notice

On December 31, 2021, the Company redeemed all of its 8 million issued and outstanding 6% Cumulative Minimum Rate Reset Preference Shares, Series 7 (Series 7 Shares) at a price of $25 per share for gross payments of $200 million. On December 31, 2021, the Company also paid the final declared quarterly dividend of $0.375 per Series 7 Share.

Acquisition of solar development sites in the United States

On December 20, 2021, Capital Power acquired a portfolio of 20 solar development sites (the portfolio) in the United States from BW Solar Holding Inc., a U.S. solar and energy storage developer (see Progress on Our Road to Decarbonization, page 22).

The portfolio has a total generation capacity of 1,298 MW, ranging in size from 15 MW to 340 MW, with the potential to co-locate over 1,200 MWh of energy storage. It is anticipated that sites will be construction-ready by 2024 with commercial operation dates in the 2025 to 2026 timeframe for those that are developed following completion of our assessment of the sites.

Phase 2 of Halkirk Wind proceeding

On December 2, 2021, the Company announced it is moving forward with phase 2 of Halkirk Wind, located in the County of Paintearth, Alberta, subject to successful permitting and regulatory approvals (see Progress on Our Road to Decarbonization, page 22). The capital cost for the 151 MW phase 2 is expected to be approximately $274 million. After completion of phase 2, Halkirk Wind will deliver approximately 300 MW of generation capacity.

Phase 2 of Halkirk Wind was fully permitted in 2018 based on available technology at that time. Since then, the project has been redesigned to incorporate the most advanced turbine technology, requiring a permit amendment. An amended permit is anticipated to be issued in the first quarter of 2023, allowing construction to commence in the third quarter of 2023 with commercial operations targeted in the fourth quarter of 2024.

Phase 2 of Halkirk Wind is expected to generate $32 million in adjusted EBITDA and $27 million in AFFO per year on average in the first five years of operation.

Addition of battery storage to the Genesee 1 and 2 repowering project

Capital Power has finalized its configuration for the Genesee 1 and 2 repowering project, adding 210 MW of battery storage (see Progress on Our Road to Decarbonization, page 22). The addition of battery storage will address the Alberta Interconnected Electric System's most severe single contingency limit, allowing the repowered Genesee 1 and 2 units to operate up to their baseload capacity. The revised repowering project cost is approximately $1.2 billion, including $195 million for battery storage. Once completed, Genesee 1 and 2 will be the most efficient natural gas units in Canada.

Completion of phases 2 and 3 of Whitla Wind and execution of 15-year contract for Whitla Wind 2

On December 1, 2021, an additional 151 MW from Whitla Wind, located in the County of Forty Mile, Alberta, began commercial operations following the completion of phases 2 and 3 of the project (see Progress on Our Road to Decarbonization, page 22). The $257 million project was completed on schedule and under budget (see Liquidity and Capital Resources, page 81).

On September 15, 2021, the Company announced a 15-year renewable power purchase agreement with Dow Chemical Canada ULC, a subsidiary of Dow, for 25 MW of capacity and the associated environmental attributes from phase 2 of Whitla Wind.

Phases 2 and 3 of Whitla Wind are expected to provide combined adjusted EBITDA and AFFO of $35 million in their first full year of operation.

Forced outage at Genesee 2

In July 2021, Genesee 2 experienced a forced outage due to a generator failure which is covered by the Company's insurance policy for both asset damage and business interruption. The unit was repaired and returned to service in early December 2021. Total Genesee 2 forced outage insurance recoveries of $46 million were recorded in 2021, including: (i) $ 35 million for asset damage, reflective of both the expensed and capitalized costs incurred to repair Genesee 2 (net of the deductible amount under the insurance contract) and (ii) $11 million in business interruption insurance recoveries. Total expenses recognized in relation to the outage were $12 million, including $6 million of damaged equipment written off, and total sustaining capital expenditures were $31 million. At December 31, 2021, $21 million of the insurance recoveries have been received.

Collaboration with Enbridge to reduce CO_2 emissions in Alberta

On November 29, 2021, Capital Power and Enbridge Inc. announced a memorandum of understanding to collaborate on carbon capture and storage (CCS) solutions in the Wabamun area west of Edmonton, near Capital Power's Genesee Generating Station (see Progress on Our Road to Decarbonization, page 22).

Enbridge and Capital Power will evaluate and advance CCS initiatives, with Enbridge as the transportation and storage service provider and Capital Power as the CO_2 provider, subject to the Government of Alberta's competitive carbon hub selection process and a future final investment decision. Enbridge, with the support of Capital Power, is applying to develop an open access carbon hub in the Wabamun area through the Government of Alberta's Request for Full Project Proposals process. Subject to the final award of carbon sequestration rights and regulatory approvals, the proposed project could be in service as early as 2027.

US$150 million private placement of senior notes

On October 28, 2021, the Company closed a US$150 million private placement of senior notes. The 12-year senior notes bear a coupon rate of 3.24% and mature on October 28, 2033. The net proceeds from the transaction were used to fund growth initiatives including approximately 425 MW in advanced stages of development and for general corporate purposes.

Suspension of Dividend Re-investment Plan

During the fourth quarter of 2021, Capital Power announced that effective with the December 31, 2021 dividend, its Dividend Re-investment Plan (DRIP) for its common shares was suspended. Shareholders participating in the DRIP began receiving cash dividends on the January 31, 2022 payment date.

Dividend increase

On July 29, 2021, the Company's Board of Directors approved an increase of 6.8% in the annual dividend for holders of its common shares, from $2.05 per common share to $2.19 per common share. This increased common share dividend commenced with the third quarter 2021 quarterly dividend payment on October 29, 2021 to shareholders of record at the close of business on September 30, 2021.

Sustainability-linked credit facilities

On July 14, 2021, the Company announced the extension, amendment and transition of its existing committed credit facilities to sustainability-linked credit facilities (SLCs) (see Performance Targets for 2022: Enhancing Shareholder Value, page 16). The five-year commitment to SLCs extends the Company's existing $1 billion of unsecured credit facilities, which include a $700 million syndicated credit facility and an unsecured club credit facility of $300 million, to July 2026. The SLCs are structured with one key performance indicator with annual sustainability performance targets aligned to one of Capital Power's publicly stated sustainability targets: to reduce Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels. The SLCs include terms that reduce or increase borrowing costs as the annual targets are met or missed.

Common share offering

In June of 2021 the Company completed a public offering of 7,480,750 common shares (inclusive of the full exercise of a 975,750 common shares over-allotment option), at an issue price of $38.45 per common share for total gross proceeds of approximately $288 million (the Offering) less issue costs of $12 million. The Company used the net proceeds from the Offering to fund growth initiatives (including projects in advanced stages of development) and for general corporate purposes.

Executive appointments

On April 30, 2021, Capital Power and the Board of Directors announced the following executive position appointments effective June 1, 2021:

- Bryan DeNeve, Senior Vice President, Operations,
- Chris Kopecky, Senior Vice President and Chief Legal, Development and Commercial Officer, and
- Steve Owens, Senior Vice President, Construction and Engineering.

Kate Chisholm, Sandra Haskins and Jacquie Pylypiuk continue to serve in their current roles. Darcy Trufyn, Senior Vice President, Operations, Engineering and Construction, retired from his role effective June 30, 2021 (see Governance & Ethics, page 51). Darcy was an integral part of the Executive Team with outstanding service and valuable contributions over the past 12 years.

Executed 15-year contract for Enchant Solar project

On April 19, 2021, the Company announced that it executed a 15-year renewable energy agreement to sell 51% of the electricity generated from the 75 MW Enchant Solar project (Enchant Solar) in Alberta to Labatt Brewing Company Ltd. of Canada, along with bundled renewable energy certificates (RECs) (see Progress on Our Road to Decarbonization, page 22). Of the contracted capacity under this agreement, approximately one-quarter will be bundled with project-generated RECs directly from Enchant Solar and three-quarters will be packaged with RECs sourced from Eastern Canada. The terms of this agreement are consistent with the previously disclosed financial expectations for Enchant Solar.

Construction of Enchant Solar commenced in the third quarter of 2021, with commercial operations expected in the fourth quarter of 2022.

United States power operations relating to extreme weather event

During the February 9 to 20, 2021 period, extreme winter weather caused some disruptions to our wind facilities, most notably in Texas (Buckthorn Wind), with no significant impact on the balance of Capital Power's U.S. operations. Buckthorn Wind experienced no significant physical damage, but some turbines were forced offline. As of February 22, 2021, the operations were back to normal. The net impact of the U.S. storm on Buckthorn Wind resulted in increases of $8 million (US$6 million) to adjusted EBITDA and AFFO.

The favourable impacts of the weather event were largely driven by the settlement of the offtake and commodity swaps for Buckthorn Wind for the noted period of extreme weather. However, Buckthorn Wind's counterparty is contesting the settlement, arguing that settlement should have been based upon a different reference price. Historically these two prices have been similar, but as a result of the extreme February weather, the Company became aware of a divergence in these prices during scarcity events. Both parties invoked dispute-resolution procedures during the first quarter of 2021 and the Company subsequently initiated litigation. Based on the contract terms of the offtake and commodity swaps, the Company considers the probability of ultimate settlement using the reference price advocated by the counterparty as being unlikely. In the event that the dispute is resolved unfavourably to the Company, the net exposure to the Company's revenues would be a reduction of up to approximately $19 million (US$15 million).

Approval of normal course issuer bid

During the first quarter of 2021, the Toronto Stock Exchange approved Capital Power's normal course issuer bid to purchase and cancel up to 10.7 million of its outstanding common shares during the one-year period from February 26, 2021 to February 25, 2022.

Facilities and portfolio optimization

Facility category and facility	Type of generating facility	Year commissioned	Gross capacity (MW)		Revenues based on	Contract expiry
			Facility	Capital Power interest		
Alberta commercial facilities						
Genesee 1	Coal and natural gas co-fired	1994	430	430	Merchant	–
Genesee 2	Coal and natural gas co-fired	1989	430	430	Merchant	–
Genesee 3	Coal and natural gas co-fired	2005	516	516	Merchant	–
Clover Bar Energy Centre 1, 2 and 3	Natural gas-fired simple cycle	2008 (Unit 1) 2009 (Units 2 and 3)	243	243	Merchant	–
Joffre	Natural gas-fired combined cycle cogeneration	2001	480	192	Merchant (mid-merit)	–
Shepard	Natural gas-fired combined cycle	2015	881	440	Merchant with tolling agreement for 50% of owned capacity	2035 (tolling agreement)
Halkirk Wind	Wind turbine	2012	150	150	Merchant with renewable energy credits (RECs) sold under fixed price agreement	2032 (RECs)
Clover Bar Landfill Gas	Landfill gas-fired	2005	2	2	Merchant with emission credits purchased by Capital Power from the City of Edmonton	–
Western Canada contracted facilities						
Island Generation	Natural gas-fired combined cycle	2002	275	275	Electricity purchase agreement (EPA) with BC Hydro	2022
Quality Wind	Wind turbine	2012	142	142	EPA with BC Hydro	2037
Savona[1]	Waste heat	2008	5	5	EPA with BC Hydro	2028
150 Mile House[1]	Waste heat	2008	5	5	EPA with BC Hydro	2028
Whitla Wind[2]	Wind turbine	2019 (Phase 1) 2021 (Phases 2 and 3)	353	353	Fixed price contract with the Alberta Electric System Operator for 202 MW	2039
					PPA[5] with Dow Chemical Canada ULC for 25 MW	2036
Ontario contracted facilities						
York Energy	Natural gas-fired simple cycle	2012	456	228	Energy supply contract with Independent Electric System Operator (IESO)	2032
East Windsor	Natural gas-fired cogeneration	2009	92	92	Energy supply contract with IESO	2029
Goreway	Natural gas-fired combined cycle	2009	875	875	Energy supply contract with IESO	2029
Kingsbridge 1	Wind turbine	2001 and 2006	40	40	Energy supply contracts with IESO	2026
Port Dover and Nanticoke Wind	Wind turbine	2013	105	105	Energy supply contract with IESO	2033
U.S. contracted facilities						
Roxboro, North Carolina	Solid fuels[3]	1987	46	46	PPA[5] with Duke Energy Progress Inc.	2021
Southport, North Carolina	Solid fuels[3]	1987	88	88	PPA[5] with Duke Energy Progress Inc.	2021
Decatur Energy, Alabama	Natural gas-fired combined cycle	2002	885	885	Tolling agreement with Tennessee Valley Authority	2032
Arlington Valley, Arizona	Natural gas-fired combined cycle	2002	600	600	Tolling agreement with Arizona Public Service Company and HRCO with an investment grade counterparty	2025[4]
Beaufort Solar, North Carolina	Solar	2015	15	15	PPA[5] with Duke Energy Progress, LLC	2030
Bloom Wind, Kansas	Wind turbine	2017	178	178	Fixed price contract with Allianz Risk Transfer	2027
Macho Springs Wind, New Mexico	Wind turbine	2011	50	50	PPA[5] with Tucson Electric Power	2031
New Frontier Wind, North Dakota	Wind turbine	2018	99	99	Fixed price contract with Morgan Stanley Capital Group	2030
Cardinal Point Wind, Illinois	Wind turbine	2020	150	150	Fixed price contract with Morgan Stanley Capital Group	2032
Buckthorn Wind, Texas	Wind turbine	2018	101	101	Offtake arrangements with an investment grade U.S. financial institution	2031 and 2038

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

[2] For operational reporting, the Company combines all phases of the Whitla Wind project as a single facility referred to as Whitla Wind.

[3] The PPAs for the Southport and Roxboro facilities expired March 31, 2021, and the facilities also ceased operations. Decommissioning of the facilities commenced in the second quarter of 2021 with lower decommissioning costs than what the Company previously established as decommissioning provisions.

[4] On December 31, 2021, the Arlington Valley tolling agreement was extended through October 2031 (see Significant Events, page 66).

[5] Certain of the Company's facilities derive revenues under power purchase agreements or arrangements (PPAs).

Facility category and facility	Type of generating facility	Year to be commissioned	Gross capacity (MW) Facility	Gross capacity (MW) Capital Power interest	Revenues based on	Contract expiry
Under construction or in advanced development						
Repowering of Genesee 1 and 2[1]	Natural gas-fired combined cycle	Genesee 1 – 2023 Genesee 2 – 2024	256 256	256 256	Merchant	–
Strathmore Solar, Alberta	Solar	2022	41	41	PPA with Telus Corporation covering energy and RECs	2047
Enchant Solar, Alberta	Solar	2022	75	75	PPA with Labatt Breweries of Canada covering 51% of the energy and RECs	2037
Halkirk Wind Phase 2, Alberta	Wind	Q4 2024	151	151	In discussions for potential offtake contracts	–
Bear Branch Solar, North Carolina	Solar	Q4 2024	35	35	PPA with Duke Energy Carolinas	2042
Hornet Solar, North Carolina	Solar	Q4 2024	75	75	PPA with Duke Energy Carolinas	2042
Hunter's Cove Solar, North Carolina	Solar	Q4 2024	50	50	PPA with Duke Energy Carolinas	2042

[1] The project also includes the construction of a 210 MW battery energy storage system to allow the repowered units to operate up to their baseload capacity in accordance with the Alberta Electric System Operator's (AESO) most severe single contingency (MSSC) limit. The battery storage addition will be going through the regulatory approval process in early 2022 with an anticipated in-service date of late 2024.

Portfolio optimization

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

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

Consolidated net income and results of operations

The primary factors contributing to the change in consolidated net income for 2021 compared with 2020 are presented below followed by further discussion of these items.

(unaudited, $ millions)		
Consolidated net income for the year ended December 31, 2020		**130**
Increase (decrease) in adjusted EBITDA:		
Alberta commercial facilities and portfolio optimization	**137**	
Western Canada contracted facilities	**(3)**	
Ontario contracted facilities	**(11)**	
U.S. contracted facilities	**(20)**	
Corporate	**66**	**169**
Change in unrealized net gains or losses related to the fair value of commodity derivatives and emission credits		**(205)**
Gains on disposals and other transactions		**36**
Increase in depreciation and amortization expense		**(61)**
Increase in impairments		**(32)**
Increase in foreign exchange loss		**(9)**
Decrease in finance expense and depreciation expense from joint venture		**14**
Decrease in net finance expense		**23**
Decrease in income before tax		**(65)**
Decrease in income tax expense		**22**
Decrease in net income		**(43)**
Consolidated net income for the year ended December 31, 2021		**87**

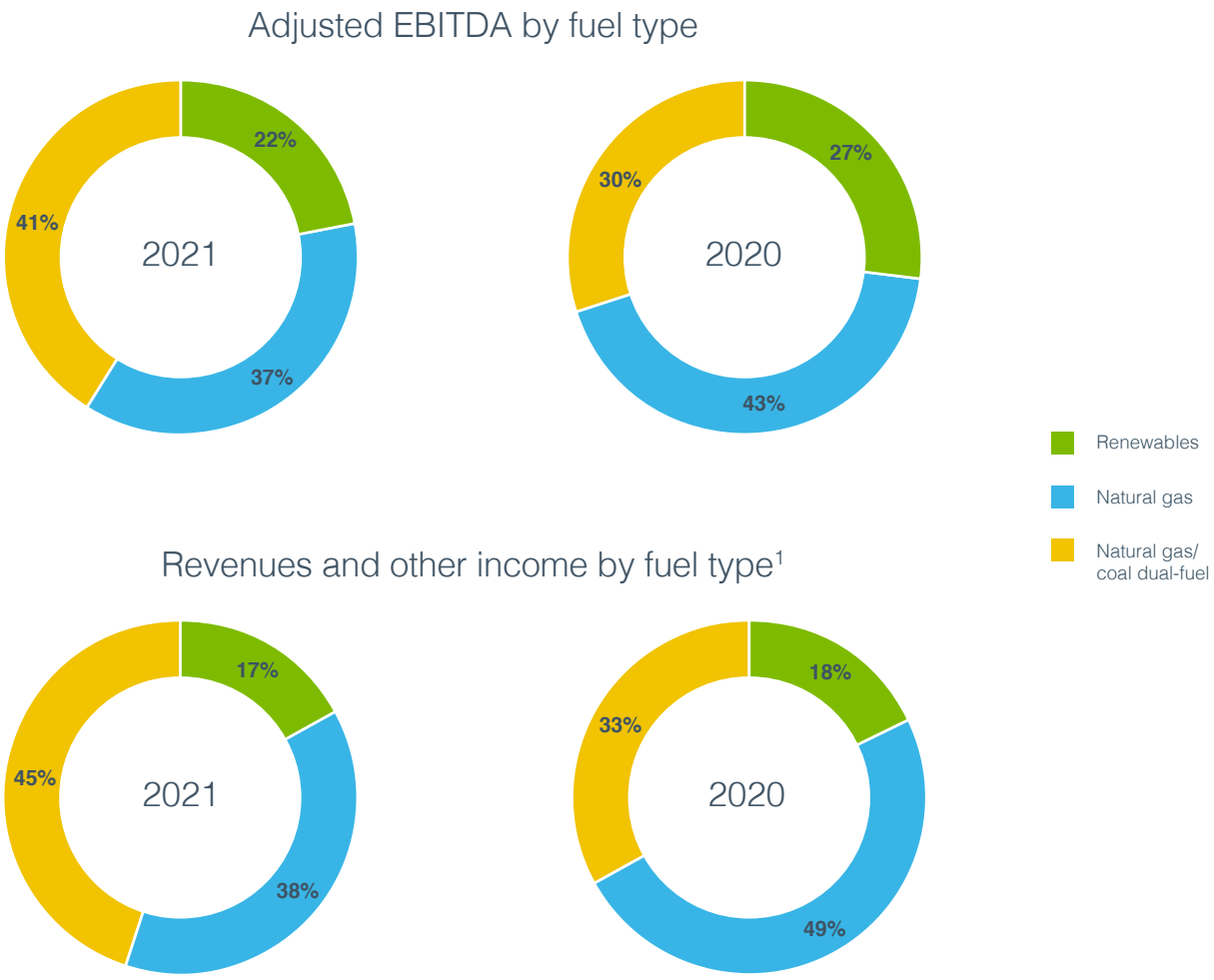
Results by facility category and other

	Year ended December 31							
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	Electricity generation (GWh)[1]		Facility availability (%)[2]		Revenues and other income (unaudited, $ millions)		Adjusted EBITDA (unaudited, $ millions)[3]	
Total electricity generation, average facility availability and facility revenues	**22,811**	23,806	**90**	95	**2,216**	1,621		
Alberta commercial facilities[4]								
Genesee 1	**3,025**	3,027	**95**	98	**320**	139		
Genesee 2	**1,697**	2,878	**62**	98	**211**	125		
Genesee 3	**3,870**	3,781	**97**	95	**393**	177		
Clover Bar Energy Centre 1, 2 and 3	**460**	485	**93**	94	**76**	43		
Joffre	**685**	698	**92**	98	**104**	59		
Shepard	**2,635**	3,260	**87**	100	**195**	141		
Halkirk Wind	**505**	536	**97**	97	**66**	46		
Clover Bar Landfill Gas	**–**	3	**25**	34	**–**	–		
Alberta commercial facilities	**12,877**	14,668	**88**	97	**1,365**	730		
Portfolio optimization	**N/A**	N/A	**N/A**	N/A	**(15)**	306		
	12,877	14,668	**88**	97	**1,350**	1,036	**605**	468
Western Canada contracted facilities[4,5]								
Island Generation	**582**	58	**95**	100	**36**	38		
Quality Wind	**441**	457	**97**	97	**54**	54		
EnPower	**24**	23	**95**	90	**2**	2		
Whitla Wind[6]	**876**	858	**97**	98	**41**	37		
	1,923	1,396	**96**	98	**133**	131	**101**	104
Ontario contracted facilities[5]								
York Energy[7]	**19**	14	**94**	99	**N/A**	N/A		
East Windsor	**11**	6	**97**	97	**31**	32		
Goreway	**1,229**	968	**95**	93	**236**	211		
Kingsbridge 1	**95**	104	**99**	99	**8**	9		
Port Dover and Nanticoke Wind	**275**	308	**96**	98	**41**	45		
	1,629	1,400	**95**	95	**316**	297	**216**	227
U.S. contracted facilities								
Roxboro, North Carolina[8]	**57**	330	**100**	97	**7**	39		
Southport, North Carolina[8]	**60**	414	**100**	96	**11**	65		
Decatur Energy, Alabama	**1,766**	1,485	**77**	90	**86**	85		
Arlington Valley, Arizona	**2,383**	2,118	**94**	84	**135**	122		
Beaufort Solar, North Carolina	**28**	28	**98**	99	**2**	2		
Bloom Wind, Kansas	**621**	728	**93**	98	**33**	42		
Macho Springs Wind, New Mexico	**124**	129	**98**	98	**14**	15		
New Frontier Wind, North Dakota	**414**	427	**96**	97	**22**	34		
Cardinal Point Wind, Illinois[9]	**581**	412	**98**	95	**59**	40		
Buckthorn Wind, Texas[10]	**348**	271	**95**	95	**33**	19		
	6,382	6,342	**87**	91	**402**	463	**210**	230
Corporate[11]					**126**	55	**(8)**	(74)
Unrealized changes in fair value of commodity derivatives and emission credits					**(337)**	(45)		
Consolidated revenues and other income and adjusted EBITDA					**1,990**	1,937	**1,124**	955

[1] Gigawatt hours (GWh) of electricity generation reflects the Company's share of facility output.
[2] Facility availability represents the percentage of time in the period that the facility was available to generate power regardless of whether it was running, and therefore is reduced by planned and unplanned outages.
[3] The financial results by facility category, except for adjusted EBITDA, were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios, page 60.
[4] The Genesee 1 and 2 PPA expired on December 31, 2020 and as a result, commencing January 1, 2021, electricity from Genesee 1 and 2 is sold into the energy market on a merchant or non-contracted basis and presented within Alberta commercial facilities. Results for the comparative period reflect energy sold on a contracted basis for Genesee 1 and 2 within the Alberta commercial grouping.
[5] During the first quarter of 2021, management reviewed its facility groupings as a result of the change in classification of Genesee 1 and 2 as well as internal organizational changes. To best reflect how the Company operates, commencing January 1, 2021, the British Columbia and Alberta contracted facilities will be reported together as Western Canada contracted facilities with the Ontario contracted facilities in a separate grouping. Comparative figures have been reclassified to conform to the current period's presentation.
[6] Phases 2 and 3 of Whitla Wind were commissioned ahead of schedule on December 1, 2021. As a result, electricity from those phases was sold on a merchant or non-contracted basis for the month of December (see Significant Events, page 66).
[7] York Energy is accounted for under the equity method. Capital Power's share of the facility's net income is included in income from joint venture on the Company's consolidated statements of income. Capital Power's share of the facility's adjusted EBITDA is included in adjusted EBITDA above. The equivalent of Capital Power's share of the facility's revenue was $30 million for 2021, compared with $30 million for 2020. The facility's revenues are not included in the above results.
[8] The PPAs for the Southport and Roxboro facilities expired March 31, 2021, and the facilities also ceased operations. Decommissioning of the facilities commenced in the second quarter of 2021 and decommissioning costs are expected to be lower than the Company's established decommissioning provisions.
[9] Cardinal Point Wind was commissioned on March 16, 2020.
[10] Buckthorn Wind was acquired on April 1, 2020.
[11] Corporate revenues were offset by interplant category eliminations.

Adjusted EBITDA and revenues and other income by fuel type for the year ended December 31

Alberta commercial adjusted EBITDA and revenues and other income are allocated to fuel source based on generation. The period-over-period increases in percentages from natural gas/coal dual-fuel are largely driven by significantly higher Alberta power prices in 2021 as compared to 2020 as well as the acceleration of off-coal compensation recognition in 2021 as a result of the repowering of Genesee 1 and 2 announced in late 2020.



[1] The allocation of revenues and other income by fuel type excludes the impacts of unrealized changes in fair value of commodity derivatives and emission credits.

Energy prices and hedged positions

Alberta portfolio metric	Unit	Year ended December 31 2021	2020
Power			
Hedged position[1]	Percentage of baseload generation sold forward at beginning of year (%)	**29**	72
Spot power price average	$ per MWh	**102**	47
Realized power price[2]	$ per MWh	**78**	58
Natural gas			
Hedged position[3]	Percentage of natural gas requirements purchased forward at beginning of year (%)	**78**	89
Natural gas price (AECO)[4]	$ per GJ	**3.50**	2.16
Realized natural gas price[5]	$ per GJ	**0.60**	0.58

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

[2] Realized power price is the average aggregate price realized through selling power generation into the spot market, the Company's commercial contracted sales and portfolio optimization activities. When long-term forward portfolio optimization hedges are transacted, they reflect the market's expectations for future period pricing. Ultimately, spot pricing may vary from expected forward pricing due to a number of factors resulting in realized power prices in a given period that can differ materially from spot pricing.

[3] Based on forecasted natural gas requirements from the Company's most recent forecast. Actual fuel requirements for Alberta facilities may differ significantly as a result of dispatch decisions.

[4] AECO refers to the historical virtual trading hub located in Alberta and known as the NOVA Inventory Transfer system operated by TC Energy.

[5] Realized natural gas price is the average aggregate price realized through purchasing of natural gas from the spot market, the Company's commercial contracted purchases and portfolio optimization activities.

Alberta commercial facilities and portfolio optimization

The Alberta spot price averaged $102 per MWh in 2021, significantly higher compared to the $47 per MWh in 2020. Most months in 2021 saw higher pricing compared with 2020 primarily as a result of more periods of colder and hotter than normal temperatures and baseload facility outages.

Generation and availability for the year ended December 31, 2021 were lower than in 2020 primarily due to an unplanned outage at Genesee 2 that began in July of 2021 and lasted until early December 2021, and a planned outage at Shepard in the second quarter of 2021, compared with no planned outage in 2020. In addition, Genesee 1 experienced more unplanned outages in 2021 compared with 2020 and Joffre completed multiple planned outages in 2021 compared with a shorter planned outage in 2020.

Revenues and other income for the year ended December 31, 2021 were higher than in 2020 primarily due to higher Alberta spot power prices. The PPAs for Genesee 1 and 2 expired at the end of 2020, with subsequent revenue being on a merchant or non-contracted basis which led to increased revenues in 2021 as compared to 2020 for Genesee 1 and 2, despite the ongoing unplanned outage at Genesee 2. These revenue increases were partially offset by lower revenues from portfolio optimization activities as a result of power and natural gas forward sales contracts settling unfavourably against higher spot prices in 2021 compared with 2020.

Adjusted EBITDA for the year ended December 31, 2021 was higher than in 2020 due largely to the aforementioned higher Alberta power prices in 2021 compared with 2020 and the impacts of the Genesee 1 and 2 PPA expiry, partially offset by the impacts of the lower generation volumes described above. Further offsetting these impacts were higher transmission expenses in 2021 compared with 2020 due to the aforementioned higher spot power prices as well as an increase in Alberta emissions pricing in 2021, higher natural gas pricing in 2021 and higher emissions costs at the Genesee facilities, where upon the expiration of the PPAs for Genesee 1 and 2, emissions costs are no longer passed on to the PPA Buyer.

Western Canada contracted facilities

Generation for the year ended December 31, 2021 was higher than in 2020 primarily due to higher dispatch at Island Generation driven by the need for additional capacity during 2021 in British Columbia, especially during the second and third quarters of 2021.

Availability for the year ended December 31, 2021 was lower than in 2020 primarily due to several unplanned outages at Island Generation during 2021, compared with minimal unplanned outages in 2020. The availability variances at Island Generation were partially offset by less frequent and shorter outages at the EnPower facilities in 2021 compared with 2020.

Revenues and other income for the year ended December 31, 2021 were higher than in 2020 primarily due to the commencement of operations of phases 2 and 3 of Whitla Wind (see Significant Events, page 66) in the fourth quarter of 2021, partially offset by lower PPA rates at Island Generation in 2021.

Adjusted EBITDA for the year ended December 31, 2021 was lower than in 2020 due to higher transmission rates and property taxes for phase 1 of Whitla Wind in 2021 and higher operating costs at Island Generation as a result of higher generation in 2021, offset partly by the impacts of the aforementioned revenue and other income variances.

Ontario contracted facilities

Overall availability for the year ended December 31, 2021 was in line with that for 2020 driven by offsetting impacts at York Energy and Goreway, while variances for generation were primarily due to Goreway operations.

Goreway experienced fewer and shorter unplanned outages in 2021 compared with 2020, partially offset by longer planned outages in 2021 compared with 2020. These outage impacts contributed to both the generation and availability variances at Goreway, with higher dispatch also contributing to the generation variances. In addition, York Energy experienced a longer planned outage in the third quarter of 2021 compared with the same period in 2020 as well as unplanned outages in the latter half of 2021 compared with no unplanned outages in 2020.

Revenues and other income were higher in the year ended December 31, 2021 compared with 2020 primarily due to the aforementioned higher dispatch at Goreway coupled with higher captured pricing at that facility, partially offset by lower wind resource availability at Port Dover and Nanticoke Wind.

Adjusted EBITDA was lower in the year ended December 31, 2021 compared with 2020 primarily due to Goreway experiencing higher fuel pricing which more than offset the positive revenue and other income impact of the higher dispatch at that facility in 2021 as well as the aforementioned lower wind resource availability at Port Dover and Nanticoke Wind.

U.S. contracted facilities

Availability for the year ended December 31, 2021 was lower than in 2020 primarily due to a longer planned outage at Decatur in 2021 compared with 2020 as well as more frequent and longer unplanned outages at Decatur in 2021, compared with minimal unplanned outages in 2020. Partially offsetting the Decatur availability variance for the year ended December 31, 2021 compared with 2020, was a shorter planned outage at Arlington Valley in 2021 compared with 2020 and no outages at the Southport and Roxboro facilities during their final quarter of operations in the first quarter of 2021.

Generation for the year ended December 31, 2021 was higher than in 2020 primarily due to higher dispatch at Arlington Valley in 2021 compared to 2020 as well as higher dispatch at Decatur in 2021, despite lower availability at that facility in 2021, compared with 2020. In addition, the generation variances were also driven by the commencement of operations at Cardinal Point Wind on March 16, 2020 and the acquisition of Buckthorn Wind on April 1, 2020. Partially offsetting the increases in generation in 2021 compared with 2020 was lower wind resource availability at Bloom Wind and the retirement of the Southport and Roxboro facilities effective March 31, 2021.

Revenues and other income for the year ended December 31, 2021 were lower than the comparable periods in 2020 primarily due to the aforementioned availability and generation variances, the impacts of a stronger Canadian dollar in 2021, and lower tax equity attributes at New Frontier Wind in 2021 compared with 2020. Partially offsetting the decreases in revenue and other income in 2021, compared with 2020, were higher heat rate call option (HRCO) revenues driven by the impact of higher natural gas prices on the HRCO pricing at Arlington Valley in 2021 compared with 2020.

Adjusted EBITDA for the year ended December 31, 2021 was lower than the comparable period in 2020 primarily due to the retirement of the Southport and Roxboro facilities effective March 31, 2021, the impacts of a stronger Canadian dollar in 2021, the aforementioned generation and revenue and other income variances at Bloom Wind and New Frontier Wind as well as higher maintenance costs at Decatur, primarily as a result of the noted outages. Partially offsetting the decreases in adjusted EBITDA in 2021, compared with 2020, was a full year of operations at Cardinal Point Wind and Buckthorn Wind, compared with a partial operating year at each facility in 2020.

Corporate

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

Net corporate revenues and other income were higher for the year ended December 31, 2021 compared with 2020 due to accelerated recognition of coal compensation revenue in 2021 as a result of the repowering of Genesee 1 and 2 announced in late 2020. Adjusted EBITDA for 2021 was impacted by the acceleration of coal compensation revenue as well as the reversal of a contingent consideration provision that is no longer required related to a previous acquisition. This was partially offset by higher incentive expenses due to increases in the Company's share price during 2021 as compared to the share price moving only modestly over the comparable period of 2020.

Unrealized changes in fair value of commodity derivatives and emission credits

(unaudited, $ millions)	Year ended December 31			
	2021	2020	**2021**	2020
Unrealized changes in fair value of commodity derivatives and emission credits	Revenues and other income		Income before tax	
Unrealized (losses) gains on Alberta power derivatives	**(80)**	14	**(83)**	(4)
Unrealized losses on U.S. power derivatives	**(213)**	(43)	**(213)**	(43)
Unrealized (losses) gains on natural gas derivatives	**(32)**	(2)	**84**	47
Unrealized losses on emission derivatives	**(12)**	(14)	**(12)**	(14)
Unrealized gains (losses) on emission credits held for trading	**–**	–	**4**	(1)
	(337)	(45)	**(220)**	(15)

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

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

During the year ended December 31, 2021, the Company recognized unrealized losses of $83 million on Alberta power derivatives due to the impact of increasing forward prices on net forward sale contracts as well as the reversal of prior period unrealized gains on positions that settled in the year. During the comparable period of 2020, unrealized losses on the Alberta power portfolio of $4 million were recognized. This was primarily due to the reversal of prior period unrealized gains on positions that settled throughout the year, partially offset by the impact of increasing forward prices on net forward purchase contracts not designated as cash flow hedges.

During the year ended December 31, 2021, the Company recognized unrealized losses of $213 million on U.S. power derivatives due to the impact of increasing forward prices on net forward sale contracts associated with the Bloom Wind, New Frontier Wind, Cardinal Point Wind and Buckthorn Wind facilities. During the comparable period of 2020, the Company recorded unrealized losses of $43 million on U.S. power derivatives, due to the impact of increasing forward prices on the value of forward sale contracts. Partially offsetting these losses were gains on the Bloom Wind forward sale contract as a result of reduced notional volume forecasts which reduce the market value to be paid by the Company under the contract, but not the fixed amount to be received.

During the year ended December 31, 2021, the Company recognized unrealized gains on natural gas derivatives of $84 million due to the impact of increasing forward natural gas prices on net forward purchase contracts. This was partially offset by the reversal of prior period unrealized gains on purchase contracts that settled during the year. During the comparable period of 2020, the Company recognized unrealized gains of $47 million, which also reflected the impact of increasing forward natural gas prices on net forward purchase contracts as well as the reversal of prior period unrealized losses on purchase contracts that settled during 2020.

During the year ended December 31, 2021, the Company recognized unrealized losses of $12 million on emission derivatives as a result of the impact of increasing forward prices on forward sale contracts as well as the reversal of prior period unrealized gains on positions that settled during the year. During the comparable period of 2020, the Company recognized unrealized losses of $14 million primarily as a result of the reversal of prior periods unrealized gains on positions that settled during 2020 as well as the impact of declining forward prices on forward purchase contracts.

Consolidated other expenses and non-controlling interests

(unaudited, $ millions)	Year ended December 31 2021	2020
Interest on borrowings less capitalized interest	**(132)**	(160)
Realized losses on settlement of interest rate derivatives	**(6)**	(11)
Other net finance expense – interest on off-coal compensation from the Province of Alberta, lease liability interest, sundry interest, guarantee and other fees	**(1)**	3
	(139)	(168)
Unrealized gains (losses) representing changes in the fair value of interest rate derivatives	**9**	(3)
Other finance expense – amortization and accretion charges, including accretion of deferred revenue pertaining to off-coal compensation from the Province of Alberta	**(44)**	(26)
Total net finance expense	**(174)**	(197)
Impairments, net of reversal	**(58)**	(26)
Depreciation and amortization	**(539)**	(478)
Foreign exchange loss	**(9)**	–
Gains on disposals and other transactions	**36**	–
Finance expense and depreciation expense from joint venture	**(13)**	(27)
Income tax expense	**(60)**	(82)
Net loss attributable to non-controlling interests	**11**	6

Net finance expense

Lower net finance expense for 2021 compared with 2020 largely reflects lower interest due to decreased loans and borrowings outstanding during the current period, lower interest on debt renewals, higher capitalized interest as a result of construction of phases 2 and 3 Whitla Wind and the Genesee repowering project and unrealized gains on non-hedge interest rate swaps driven by the impact of increasing market interest rates during 2021, partially offset by higher accretion due to accelerated off-coal compensation.

Impairments, net of reversal

During the fourth quarter of 2021, the Company recognized a pre-tax impairment loss of $52 million related to its Island Generation facility (see Regulatory Matters, page 101). Additionally in 2021, the Company and its partner on the Genesee 4 and 5 project reached a settlement concerning the costs of exiting the series of previously executed agreements and the Company recognized a pre-tax impairment loss of $6 million, net of a pre-tax impairment reversal of $2 million. This impairment reversal related to the assets that are now expected to be used as a part of Genesee repowering which had previously been impaired upon the discontinuation of the Genesee 4 and 5 project for which the Company recognized a pre-tax impairment of $13 million during 2020. During the year ended December 31, 2020, the Company also recognized a pre-tax impairment of $13 million related to the discontinuation of the Genesee 1 and 2 dual-fuel project.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2021 increased compared with the same period in the prior year primarily due to the accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine as a result of the late 2020 Genesee repowering project announcement, higher depreciation from Cardinal Point Wind (commenced commercial operations in March 2020) and the addition of Buckthorn Wind in the second quarter of 2020. This was partly offset by Southport and Roxboro being fully depreciated as of the end of the first quarter of 2021.

Foreign exchange loss

The Company had outstanding foreign currency non-hedge sale contracts during the year which settled during 2021 with no contracts outstanding at December 31, 2021. The exchange rate of the Canadian dollar relative to the U.S. dollar weakened from the time the foreign currency sale contracts were entered to the time they were settled resulting in realized losses on the settlement of foreign currency sale contracts during the year. Foreign exchange loss in the year also reflects losses incurred on the revaluation of U.S. dollar denominated debt not hedged for accounting purposes.

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

Gains on disposals and other transactions

During 2021, the Company recorded a net gain of $23 million reflecting insurance recoveries, related expensed costs and capitalized costs incurred to date, to repair Genesee 2 (see Significant Events, page 66). The Company also recorded a net gain of $7 million on decommissioning of the Southport and Roxboro facilities to reflect lower decommissioning costs than what the Company previously established as provisions, and inventory write-offs. The year-to-date amount further reflects other gains on disposal in the first half of 2021, largely related to land sales.

Finance expense and depreciation expense from joint venture

Finance expense and depreciation expense from joint venture includes Capital Power's share of finance expense and depreciation expense of York Energy, which is accounted for under the equity method. Finance expense and depreciation expense from joint venture decreased by $14 million in 2021 compared with 2020 due to increasing interest rates during 2021 resulting in gains on the interest rate non-hedge held within the York Energy joint venture, compared with declining interest rates during 2020 resulting in higher prior period expenses.

Income tax expense

Income tax expense decreased $22 million for 2021 compared with the prior year primarily due to lower consolidated net income in 2021 compared with 2020 and other rate differences associated with foreign exchange movements and applicable jurisdictional tax rates.

Non-controlling interests

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

Comprehensive income

	Year ended December 31	
(unaudited, $ millions)	**2021**	2020
Net income	**87**	130
Other comprehensive (loss) income:		
Net unrealized losses on derivative instruments	**(194)**	(18)
Net realized losses (gains) on derivative instruments reclassified to net income	**158**	(20)
Unrealized foreign exchange gains (losses) on the translation of foreign operations	**6**	(18)
Actuarial gains (losses) related to the Company's defined benefit pension plan	**3**	(5)
Total other comprehensive loss, net of tax	**(27)**	(61)
Comprehensive income	**60**	69

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

Financial position

The significant changes in the consolidated statements of financial position from December 31, 2020 to December 31, 2021 were as follows:

(unaudited, $ millions)	At December 31		Increase (decrease)	Primary reason for increase (decrease)
	2021	2020		
Government grant receivable	**349**	387	(38)	Decrease primarily due to the receipt of the 2021 payment related to the phase out of coal-fired generation, net of accrued interest on the receivable balance.
Property, plant and equipment	**6,203**	6,098	105	Increase due to capital additions for the Genesee repowering project, Strathmore Solar and Enchant Solar and phases 2 and 3 of Whitla Wind as well as turbine upgrades at Decatur Energy and replacement of the Genesee 2 generator (see Significant Events, page 66 and Liquidity and Capital Resources, page 81). These impacts were partly offset by the impact of increasing interest rates on decommissioning assets, foreign exchange impacts and depreciation.
Net derivative financial instruments liabilities	**274**	55	219	Increase primarily due to increasing forward prices on U.S. contracted wind forward sale contracts and increasing Alberta forward power prices on net forward sale contracts, partly offset by increasing forward natural gas prices on net forward purchase contracts and increasing forward interest rates on interest rate swaps.
Trade and other payables	**624**	470	154	Increase due to higher trading margin account payables resulting from increasing forward natural gas prices on net forward purchase contracts, reclass of Arlington Valley long-term service agreement (LTSA) costs from deferred revenue and other liabilities, increased commodity purchases as a result of new customer contracts beginning in 2021 combined with higher settled pool prices in December 2021 compared to December 2020, and an increase in accrued emission compliance obligations for 2021. These increases were partly offset by lower emission compliance liabilities due to the intended utilization of more offsets for 2021 compliance compared to 2020 where the Company accrued based on payments into Alberta's Technology Innovation and Emissions Reduction (TIER) fund resulting in lower compliance costs and by LLR Proceeding payables settled.
Loans and borrowings (including current portion)	**3,360**	3,552	(192)	Decrease primarily due to repayments of U.S. dollar bank loans, and allocation of income tax benefits to tax-equity investors associated with the Company's tax-equity structures, partly offset by the issuance of US$150M private placement of senior notes and net issuances of credit facilities.
Deferred revenue and other liabilities (including current portion)	**444**	412	32	Increase primarily due to spending on the Genesee repowering project for which payments are being deferred, partly offset by the amortization of off-coal compensation.
Net deferred tax liabilities	**567**	582	(15)	Decrease primarily due to changes in derivative financial instrument balances and deferred partnership income partially offset by the recognition of taxable temporary differences that will reverse in the future.
Provisions (including current portion)	**461**	501	(40)	Decrease mainly due to decommissioning of Southport and Roxboro facilities along with revisions to existing decommissioning provisions driven by changes in discount rates partly offset by additional decommissioning liabilities incurred for development projects.

Liquidity and capital resources

(unaudited, $ millions)	Year ended December 31		
Cash inflows (outflows)	**2021**	2020	Change
Operating activities	**867**	611	256
Investing activities	**(565)**	(349)	(216)
Financing activities	**(275)**	(146)	(129)

Operating activities

Cash flows from operating activities for the year ended December 31, 2021 increased compared with the same period in 2020 mainly due to (i) the cash flow impacts of the increases in adjusted EBITDA described in Consolidated Net Income and Results of Operations, see page 72, mainly the result of higher realized Alberta power pricing offset partly by higher Alberta emissions costs including higher emissions pricing and the assumption of the obligation for Genesee 1 and Genesee 2 emissions costs in 2021, (ii) lower income taxes paid in 2021 due to a loss carryback used in 2021 compared with 2020 which was impacted by tax true-up payments, and (iii) lower interest paid in 2021 as compared to 2020. These increases were partially offset by (i) the timing of the 2020 annual emissions settlement which occurred during the second quarter of 2021 as compared to 2020 where only the obligation for the fourth quarter of 2019 was settled, (ii) higher unfavourable cash impacts relating to trading margin accounts in 2021 as compared to 2020, most notably driven by the impact of increasing forward power prices on net forward sales contracts in 2021, and (iii) net settlements of tranches 2 and 3 of the LLR Proceeding invoices during 2021 as compared to net settlement of tranche 1 in 2020.

Investing activities

Cash flows used in investing activities for the year ended December 31, 2021 increased compared with the same period in 2020 primarily due to higher cash capital expenditures in 2021, including spend on the repowering of Genesee 1 and 2, higher spend on phases 2 and 3 of Whitla Wind, increased capital expenditures relating to other renewable projects and the acquisition of solar development sites in 2021 (see Significant Events, page 66). Partly offsetting this increased spend was the acquisition of Buckthorn Wind in 2020.

Capital expenditures and investments

(unaudited, $ millions)	Pre-2020 actual	Year ended December 31			Actual or projected total[2]	Targeted completion
		2020 actual	**2021 actual**	2022 estimated[1,2]		
Repowering of Genesee 1 and 2[3]	–	–	**238**	362	1,192	Unit 1 in 2023 and Unit 2 in 2024
Whitla Wind phases 2 and 3	–	33	**209**	10	252	Completed in December 2021
Strathmore Solar[4]	–	2	**49**	6	57	First quarter of 2022
Enchant Solar[4]	–	1	**18**	100	119	Fourth quarter of 2022
Bear Branch Solar[5]	–	1	**1**	11	60	Fourth quarter of 2024
Hornet Solar[5]	–	1	**1**	24	118	Fourth quarter of 2024
Hunter's Cove Solar[5]	–	1	**1**	15	82	Fourth quarter of 2024
Whitla Wind phase 1	322	12	**–**	–	334	Completed in December 2019
Cardinal Point Wind	256	56	**–**	–	312	Completed in March 2020
Commercial initiatives[6]	81	73	**28**	10	194	
Development sites and projects	20	4	**36**	–		
Subtotal growth projects		184	**581**	538		
Sustaining – plant maintenance excluding Genesee Mine[7]		71	**122**			
Sustaining – Genesee Mine maintenance and lands		7	**8**			
Total capital expenditures[8]		262	**711**			
Emission credits held for compliance		35	**67**			
Investment in C2CNT		14	**13**			
Capitalized interest		(5)	**(10)**			
Additions of property, plant and equipment and other assets		306	**781**			
Change in other non-cash investing working capital and non-current liabilities		12	**(159)**			
Purchase of property, plant and equipment and other assets, net		318	**622**			

[1] The Company's 2022 estimated capital expenditures include only expenditures for previously announced growth projects and exclude other potential new development projects.

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

[3] Projected total costs include the 210 MW Genesee Battery Energy Storage System to be constructed as part of the repowering project (see Progress on Our Road to Decarbonization, page 22). The battery storage addition will be going through the regulatory approval process in early 2022 with an anticipated in-service date of late 2024.

[4] Projected total costs have increased from the previous amounts of $53 million for Strathmore Solar and $102 million for Enchant Solar due to supply chain pressures and significant increases in transportation costs.

[5] Targeted completion dates have been revised due to delays in the interconnection process.

[6] Commercial initiatives include the combustion turbine upgrade project for Decatur Energy with capital expenditures incurred life-to-date to the end of December 31, 2021 of $77 million (US$58 million). The final stage of this project resulted in an additional 30 MW of generation in 2021 (an additional 60 MW of generation was completed prior to 2021). Commercial initiatives also include expected spending on the Company's Genesee dual-fuel project and the Genesee Performance Standard project as well as various other projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.

[7] At December 31, 2021, a total of $35 million has been recorded for insurance recoveries for repairs related to the Genesee 2 forced outage within the consolidated statements of income, of which $29 million relates to sustaining capital expenditures included here (see Significant Events, page 66).

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

Financing activities

Cash flows used in financing activities were higher in the year ended December 31, 2021 mainly due to net repayments of loans and borrowings in 2021 as compared to net issuances of loans and borrowings in 2020 driven most notably by higher cash flows from operating activities in 2021. Additionally, the Company redeemed preferred shares during 2021. Partially offsetting these higher cash outflows were the issuance of common shares in 2021 (see Significant Events, page 66), lower common share dividends paid in 2021 as result of the reinstatement of the Company's Dividend Reinvestment Plan in the third quarter of 2020 and lower repurchases of common shares under the Company's normal course issuer bid.

The Company's credit facilities consisted of:

		At December 31, 2021			At December 31, 2020		
(unaudited, $ millions)	Maturity timing	**Total facilities**	**Credit facility utilization**	**Available**	Total facilities	Credit facility utilization	Available
Committed credit facilities	2026	**1,000**			1,000		
Letters of credit outstanding			**30**			9	
Bankers' acceptances outstanding			**–**			–	
Bank loans outstanding[1]			**241**			193	
		1,000	**271**	**729**	1,000	202	798
Bilateral demand credit facilities	N/A	**773**			427		
Letters of credit outstanding			**465**			259	
		773	**465**	**308**	427	259	168
Demand credit facilities	N/A	**25**	**–**	**25**	25	–	25
		1,798	**736**	**1,062**	1,452	461	991

[1] U.S. dollar denominated bank loans outstanding totalling US$191 million (December 31, 2020 – US$151 million).

At December 31, 2021, the committed credit facility utilization increased $69 million compared with the utilization at December 31, 2020 due to increased letters of credit and U.S. dollar bank loans outstanding most notably driven by the refinancing of the US$230 million loan that matured in 2021 with a lower debt issuance of a US$150 million private placement of senior notes (see Significant Events, page 66). The available credit facilities provide the Company with adequate funding for ongoing development projects.

The Company has a corporate credit rating of BBB- with a stable outlook from Standard & Poor's (S&P) which was affirmed in their latest report, published July 16, 2021. The BBB rating category assigned by S&P is the fourth highest rating of S&P's 10 rating categories for long-term debt obligations. According to S&P, a BBB corporate credit rating exhibits adequate capacity to meet financial commitments, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The Company has a corporate credit rating of BBB (low) with a stable outlook from DBRS Limited (DBRS) which was affirmed in their latest report, published April 7, 2021. The BBB rating category assigned by DBRS is the fourth highest rating of DBRS' 10 rating categories for long-term debt obligations. According to DBRS, long-term debt rated BBB is of adequate credit quality and the capacity of the payment of financial obligations is considered acceptable, but the entity is vulnerable to future events.

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

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

Financial covenant	Required at the end of each fiscal quarter	Actual at December 31, 2021
Modified consolidated net tangible assets to consolidated net tangible assets ratio[1]	Not less than 0.75 to 1.0	**0.90**
Consolidated senior debt to consolidated capitalization ratio[1]	Not more than 0.65 to 1.0	**0.55**
Consolidated EBITDA to consolidated interest expense[1,2]	Not less than 2.5 to 1.0	**4.93**

[1] As defined in the relevant agreements.

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

Future cash requirements

The following estimates of future cash requirements are subject to variable factors including those discussed in Forward-looking Information. Capital Power's expected cash requirements for 2022 include:

(unaudited, $ millions)	2022 expected cash requirements
Repayment of debt payable[1]	68
Interest on loans and borrowings	115
Capital expenditures – sustaining	110
Capital expenditures – ongoing growth projects[2]	464
Capital expenditures – commercial initiatives	10
Common share dividends[3]	258
Preferred share dividends	37

[1] Excludes repayment of credit facilities.
[2] Excludes capital expenditures on the Genesee 1 and 2 repowering project for which payments are deferred.
[3] Includes 5% annual dividend growth, subject to approval by the Board of Directors of Capital Power.

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

If the Canadian and U.S. financial markets become unstable, Capital Power's ability to raise new capital, to meet its financial requirements, and to refinance indebtedness under existing credit facilities and debt agreements may be adversely affected. Capital Power has credit exposure relating to various agreements, particularly with respect to its PPA, energy supply contract, trading and supplier counterparties. While Capital Power continues to monitor its exposure to its significant counterparties, there can be no assurance that all counterparties will be able to meet their commitments. See Risks and Risk Management, page 86, for additional discussion on recent developments pertaining to these risks and Capital Power's risk mitigation strategies.

Off-statement of financial position arrangements

At December 31, 2021, the Company has $495 million of outstanding letters of credit for collateral support for trading operations, conditions of certain service agreements and to satisfy legislated reclamation requirements. If the Company were to terminate these off-statement of financial position arrangements, the penalties or obligations would not have a material impact on the Company's financial condition, results of operations, liquidity, capital expenditures or resources.

Capital resources

	At December 31	
(unaudited, $ millions)	**2021**	2020
Loans and borrowings	**3,360**	3,552
Lease liabilities[1]	**143**	149
Less cash and cash equivalents	**(387)**	(367)
Net debt	**3,116**	3,334
Share capital	**3,631**	3,465
Deficit and other reserves	**(790)**	(565)
Non-controlling interests	**18**	29
Total equity	**2,859**	2,929
Total capital	**5,975**	6,263

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

Contractual obligations, contingent liabilities, other legal matters and provisions

Based on the Company's available credit facilities (see Liquidity and Capital Resources, page 81), access to capital markets and expectations for future periods' financial results, the Company has adequate liquidity to meet its contractual obligations as follows:

	Payments due by period						
(unaudited, $ millions)	2022	2023	2024	2025	2026	Thereafter	Total
Loans and borrowings[1]	68	73	527	82	788	1,505	3,043
Interest on loans and borrowings	115	112	111	89	72	220	719
Trade and other payables[2]	600	–	–	–	–	–	600
Lease liabilities	14	14	14	22	12	184	260
Capital – growth projects[3]	444	600	455	38	38	67	1,642
Capital – commercial initiatives[4]	10	2	–	–	–	–	12
Decommissioning provisions[5]	11	63	–	–	–	482	556
Energy purchase and transportation contracts[6]	224	251	162	137	113	550	1,437
Operating and maintenance contracts	64	63	62	84	68	370	711
Environmental credits[7]	11	3	11	7	5	–	37
Commodity and other derivative liabilities net of financial assets	140	29	23	21	18	96	327
Total	1,701	1,210	1,365	480	1,114	3,474	9,344

[1] Repayments of loans and borrowings exclude fair value differentials of $14 million related to debt assumed on previous asset acquisitions and $335 million related to repayments of tax-equity financing through non-cash tax-equity attributes.

[2] Excluding accrued interest on loans and borrowings of $24 million.

[3] Capital Power's obligations for capital – growth projects in future periods include the repowering of Genesee 1 and 2 with battery storage, and the various renewables projects listed in the Liquidity and Capital Resources section and phase 2 of Halkirk Wind over the construction periods of those projects, as well as expected spend on other development sites and projects in 2022. These obligations exclude interest to fund construction of $82 million and refundable transmission system contribution payments.

[4] Capital Power's obligations for capital – commercial initiatives in future periods include the Genesee Performance Standard project, and various other projects designed to either increase the capacity or efficiency of their respective facilities or to reduce emissions.

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

[6] Energy purchase and transportation contracts include natural gas transportation contracts which are based on estimates that are subject to changes in regulated rates for transportation and natural gas purchase contracts. The estimates for natural gas purchase contracts are subject to changes in expected consumption levels and have expiry terms ranging from 2022 to 2037.

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

Contingent liabilities

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

Other legal matters

In each of the years 2017 through 2021, the Government of Alberta (GoA) withheld approximately $2.7 million from the Company's annual off-coal payment, on the basis of an alleged "implied term" of the Off-Coal Agreement. Capital Power believes there was no such implied term and has therefore sued the GoA for recovery of the withheld amount and specific performance for future payments. Similarly, the GoA amended its Linear Property Assessment Guidelines (the Guidelines) in 2017 to eliminate the anticipated cessation of coal emissions (and related business closures) from being considered in property tax assessments, which erroneously suggests that the off-coal payments were intended to compensate the Company for non-net book value related costs. In response, Capital Power and TransAlta jointly commenced litigation on the basis that the Guidelines discriminatorily applied only to three coal generators. The Court of Queen's Bench issued a decision on January 15, 2021 rejecting all of Capital Power and TransAlta's arguments, concluding that the Guidelines were within the Minister's authority and were lawfully enacted. After reviewing the decision with TransAlta and our counsel, management has concluded that there are a number of grounds for appeal. Capital Power, along with TransAlta, submitted a joint notice of appeal. The appeal was heard on January 14, 2022, with a decision expected the second quarter of 2022.

Line Loss Rule Proceeding

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

As a result of the LLR Proceeding, Capital Power incurred additional charges related to historical periods and, as such, has recorded $19 million pertaining to the Company's net liability including $20 million recorded in prior years and a decrease of $1 million recorded during 2021 to reflect final tranche 3 invoices received during this period. The invoicing process resulted in gross billings to Capital Power of which those amounts not attributable to Capital Power were largely recovered from the appropriate parties, with the exception of those related to the Sundance C PPA from the Balancing Pool.

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

Risks and risk management

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

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

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

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

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

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

Climate change

Capital Power has prepared an assessment of climate-related risks and opportunities to conform with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). This involved assessing the risks and opportunities that may arise under different climate scenarios, including a more stringent policy pathway that maintains global warming below 2 degrees Celsius and achieves net-zero carbon emissions by 2050. The resilience of our strategy was assessed under the various scenarios, and our responses to the risks and opportunities are included in our disclosures. This document can be accessed on the Company's website via the following link: https://www.capitalpower.com/2021-capital-power-climate-change-disclosure/.

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

Climate change will continue to be a primary theme driving the industry in which Capital Power operates for the foreseeable future. Capital Power's portfolio of assets includes a diversity of fuel types, including thermal facilities in Canada and the U.S. Decarbonization trends therefore create risks, particularly around carbon price and policy which may result in higher compliance obligations and reduced margins for our thermal fleet. Carbon pricing is a central mechanism of climate policy in Canada, compared to the U.S. where it has been adopted in certain regions and will be priced in more indirectly or otherwise addressed through clean air regulation for the foreseeable future.

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

Strategies employed for managing climate change risk:

- Technology focus of wind, solar and natural gas with the integration of energy storage and the advancement of decarbonization technologies.
- Prioritizing physical emissions reductions from our facilities through CCUS and hydrogen blending, and across our portfolio through direct air capture.
- Advancing our decarbonization efforts through the repowering of Genesee 1 and 2 including the addition of battery storage, our Genesee Performance Standard (GPS) program, natural gas conversion of Genesee 3, developing our pipeline of renewables opportunities, and advancing our proposed Genesee Carbon Conversion Centre and Genesee CCS projects.
- Regular engagement with government bodies to participate in the development of carbon and other environmental policy.
- Compliance cost management via an active presence in environmental commodity markets.
- Proactive pursuit of opportunities to enhance fleet reliability and efficiency through our Ops 2030 initiative and GPS which will see its last major project in 2022.
- Internal fleet-wide study performed in 2021 to better understand the potential effects of extreme weather to each facility along with action plans to harden our assets.
- Due diligence for all development projects, acquisitions and commercial decisions, considering technology selection, jurisdiction, siting, environmental risks and scenarios and sensitivity analysis for carbon price and policy.
- Actively monitoring the insurance market for material changes to insurance policies that may affect the Company's ability to seek coverage for high-risk assets.

Power price

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

The Company's largest exposure to power price is in the Alberta wholesale market. Electricity demand in Alberta rebounded in 2021 to 2019 levels as the economy emerged from COVID-19. Further, oil prices have continued to strengthen, leading to increased electricity demand from oil production processes, and the province has also seen the retirement of supply; we expect these trends to continue into 2022. Potential drivers of downward pressure on 2022 power prices may include the volatility of natural gas prices and mild weather conditions. Looking beyond 2022, downward pressure on power prices could persist, should there be an upset to the supply and demand equilibrium in the Alberta power market, including any influx of new major supply additions or if the Alberta economy weakens.

The repowering of Genesee 1 and 2 will increase the competitiveness of those units' position in the merit order by lowering their variable production costs. Genesee 3 will also become more competitive, albeit not as competitive as Genesee 1 and 2, due to its conversion from coal to natural gas. Electricity and steam sales from the Joffre facility located at the Nova Chemicals Company (NOVA) petrochemical complex are also subject to market price variability as there are provisions in the joint venture agreement with NOVA that require the facility to run to provide steam to the host facility, irrespective of market prices. The profitability of the Company's other non-contracted assets in Alberta are also subject to spot power prices.

Capital Power uses derivative instruments, including futures, forwards, options and swaps, to manage its commodity price and financial market risks inherent in its electricity generation operations. These activities, although primarily intended to mitigate earnings volatility, expose Capital Power to other risks. For example, selling forward may result in losses if the assets from which that power is sold forward are unexpectedly unavailable. In addition, Capital Power enters commodity contracts to generate trading revenue, which can result in financial gains or losses. In the future, Capital Power could recognize financial losses on these contracts because of volatility in the market values of the underlying commodity.

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

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

Capital Power is also exposed to node-to-hub basis risk at many of its U.S. wind facilities. Basis risk is the difference between the power price at the node, where the power is produced, and the hub, where the power is financially settled with the off-taker. This risk can be exacerbated by events such as transmission congestion and extreme weather.

Strategies employed for managing power price risk:

- Strong governance and oversight. Examples include:
  - Risk Oversight Council (consisting of senior management representatives appointed by the President and CEO) which establishes the structure, conduct and control of Capital Power's commodity exposure management program, both in physical and financial derivatives markets.
  - Maintain a commodity risk management program which provides the infrastructure to manage commodity and trading risks associated with the commodity business.
  - Take market risk positions within authorized limits approved by Capital Power's Executive Team and Board of Directors. The Company operates under specific policy limits, such as total commodity risk and stop-loss limits, and generally trades in electricity to reduce the Company's exposure to changes in electricity prices or to match physical or financial obligations.
  - The Executive Team has access to daily risk reports which provide key risk measures in relation to applicable limits and quarterly risk reports are reviewed by Capital Power's Audit Committee.
- Execute the Company's growth strategy and re-contract generation facilities under new or extended contracts to maintain a balance of contracted and non-contracted facilities.
- Invest in operational efficiencies to maintain the competitiveness of the Company's thermal assets in the merit order.

- Limit exposure to market price volatility by entering long-term power contracts. Examples include contracts-for-differences, back-to-back physical and financial contracts to lock in a margin, and long-term fixed price contracts with commercial and industrial customers in Alberta.
- Perform regular commodity portfolio stress testing to observe the effects of plausible scenarios considering historical price movements and certain hypothetical extreme events.
- Proactively forecast exposure to extreme price fluctuations, especially during higher-priced peak-hour periods. To do this, Capital Power relies on proprietary forecasting models that use historical load shape data provided by load settlement agents and local distribution companies.
- Continually evolving the sophistication of our risk management program and our strong expertise in the jurisdictions in which we operate.

Fuel supply and price

Capital Power requires energy from sources such as natural gas, coal, wind and the sun to generate electricity. A disruption in the supply, a significant increase in the price of supply or the availability of renewable resources could have a material adverse strategic and financial impact on Capital Power.

The price of natural gas depends on supply and demand, transportation costs and the cost of complying with applicable environmental and other regulatory requirements. Natural gas supply and demand are influenced by weather conditions, storage inventory levels, drilling levels and production, imports and exports, and general economic conditions. Changes in any of these factors could increase Capital Power's cost of generating electricity or decrease Capital Power's revenues due to production cutbacks. Natural gas prices were volatile in 2021, driven by a strong global economic rebound coupled with a much slower supply response and historically low inventories. Upward pressure on natural gas prices could continue beyond 2021, should tight global supply conditions and low inventory levels persist or worsen. However, Capital Power has hedged substantially all of its expected natural gas requirements in Alberta for 2022.

Capital Power's natural gas-fired facilities outside of Alberta are also susceptible to the risks associated with the volatility of natural gas prices. Natural gas purchases for these facilities are made under variable price contracts and when a facility's heat rate (a measure of fuel efficiency) does not meet expectations, unit profitability is affected. Our risk exposure to variable natural gas pricing for Decatur Energy, East Windsor, Goreway, Island Generation and York Energy is substantially or fully mitigated by their long-term PPAs. Arlington Valley's risk exposure to variable natural gas pricing is mitigated in the non-summer months under a heat rate call option, and in the summer months of June through September via its tolling agreement. Asset unavailability can affect the long-term contracts in various ways; generally the contracts provide provisions for long-term outages and force majeure events.

Capital Power uses derivative instruments for merchant trading purposes and to manage its natural gas and environmental compliance obligation exposures. With respect to merchant trading, Capital Power could realize financial losses on these contracts because of volatility in the market values of the underlying commodities.

Capital Power depends on pipeline infrastructure owned and operated by external parties to deliver natural gas to its natural gas facilities. If the infrastructure is inadequate to supply natural gas, there may be a material adverse effect on Capital Power's ability to produce power from those facilities. Capital Power procures firm transportation agreements and has insurance coverage to mitigate, but not eliminate, this risk.

Coal for the Genesee units is supplied under long-term agreements where the price is based on a cost-of-service model with annual updates for inflation, interest rate, expected mined tonnage and capital budget parameters, and is therefore not subject to coal market price volatility. A shortage of coal supply resulting from significant disruption of the coal mine equipment and operation could negatively impact generation and revenues from these plants. Coal price also depends on the costs of complying with applicable environmental and regulatory requirements.

Capital Power plans to be completely off coal in 2023 through the repowering of Genesee 1 and 2 and the natural gas conversion of Genesee 3. The repowering and natural gas transformation of the Genesee units introduces a greater degree of exposure to AECO natural gas prices than Capital Power has seen in the past. Accordingly, natural gas price volatility and supply could have a significant impact on the Company's cost of generating electricity, particularly after 2023.

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

Strategies employed for managing fuel supply and price risk:

- The strategies described in power price risk above, such as the Risk Oversight Council, commodity risk management program, corporate governance over market positions and key risk measures and commodity portfolio stress testing also apply to fuel supply and price risk related to natural gas.
- Fuel-type diversification across our fleet.
- Establish long-term natural gas transportation agreements.
- Maintain coal stockpile inventories.
- Establish contracts with fuel cost, including carbon cost, flow-through provisions, where possible.
- Limit exposure to market price volatility by entering long-term natural gas hedges. Examples include contracts-for-differences, and back-to-back physical and financial contracts to lock in a margin.
- Actively participate on the Genesee Mine Joint Venture Committee and exercise contractual rights as required.
- Ongoing asset optimization initiatives, such as Ops 2030 and GPS, targeting efficiency and performance improvements.
- Manage compliance costs via an active presence in environmental commodity markets.
- Thorough due diligence on wind and solar data prior to development or acquisition of facilities.
- Keep apprised of new technology that may increase generation by capturing more wind or sun.

Supply chain

In the course of its day-to-day operations and in the construction of development projects, Capital Power procures goods and services from a range of suppliers with a local to international scope. Some of the goods procured are specialized parts used to operate our facilities and have long lead times. A disruption, inflation or price volatility within Capital Power's supply chain could delay construction of development projects, require significant additional expenditures and/or disrupt operations. In addition, unsustainable practices within Capital Power's supply chain could put the long-term resilience of our supply chain at risk and have reputational impacts to the Company.

Strategies employed for managing supply chain risk:

See Operation and Maintenance of Equipment risk, page 97, for strategies employed that also apply to managing the Company's supply chain exposure to specialized parts in the operation of its facilities.

- Maintain an inventory of critical spares.
- Establish and maintain constructive relationships with key suppliers.
- Maintain multiple sources for a good or service wherever possible.
- Sustainable sourcing strategy to be implemented over the next two years. Key aspects include:
  - Sourcing from a diverse set of suppliers including local and Indigenous sources where practical, which can reduce transportation costs and require less lead-time as well as improve the economic wellbeing in the communities we operate and where our employees live.
  - Establishing minimum standards related to human rights and environmental considerations, which can mitigate reputation risks and prioritize sustainable practices to ensure long-term supply chain resilience.
  - Verifying that prospective suppliers comply with sustainable best practices.
- Entering purchase commitments to lock in prices.
- Internal policy that requires Board reapproval for cost overruns exceeding a certain threshold.

Growth execution

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

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

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

Strategies employed for managing growth execution risk:

- Strong governance and oversight. Examples include:
  - Business development commercial opportunities are pursued in consultation with our Board of Directors and in accordance with the Company's corporate long-term plan and corporate strategy.
  - Internal policy in place to govern the process for how Capital Power develops business opportunities from the initial phase through to the integration of an asset into the Company. This process provides a framework for accountability and helps identify and mitigate risks associated with major projects.
  - Strong project management.
- Perform detailed project analyses, risk assessments and due diligence, including exploring opportunities to add operational value, prior to and during construction or acquisition.
- Hurdle rates are reviewed annually, at minimum.
- Perform post-implementation evaluation of all major projects to improve internal capabilities and processes and to leverage lessons learned for future projects. When necessary, corrective actions are taken to increase the likelihood of investment recovery.
- Establishing a development pipeline in target areas.
- Enter favourable long-term contracts for the projects' output, minimizing the time between commercial operation dates and contract signing, whenever possible.
- Establish and maintain constructive relationships with suppliers and stakeholders, including collaborative contracting for construction projects.

Political

Capital Power is subject to risk associated with changing political conditions and with changes in federal, provincial, state or local laws and regulations or common law and their interpretation by relevant authorities. In 2021, the Canadian and U.S. federal governments announced new GHG emissions reductions targets for 2030. These more ambitious targets could present opportunities for Capital Power's decarbonization efforts as we grow our renewables portfolio and advance on CCUS, hydrogen blending and direct air capture technologies. Alternatively, more stringent policies and regulations over air emissions and water usage could have a negative financial impact on our thermal generating facilities. It is not possible to predict with complete accuracy all changes in the legislative and regulatory environment or their impact on the Company's business, operations or the markets in which the Company operates.

Strategies employed for managing political risk:

- Predict and identify existing, new or changed laws or regulations, or changed interpretations of such, and prepare and advocate appropriate responses or plans.
- Support the timely development of appropriate transmission capability through active relationships with all levels of government.
- Include change-in-law provisions in material contracts where possible.
- Maintain a mix of technologies and geographies across our fleet.

Regulatory

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

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

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

The Company is subject to requirements around minimizing the impact to wildlife at its wind facilities. Capital Power complies with all regulatory requirements which include completing pre-disturbance bird and bat studies and post-construction bird and bat monitoring programs. We could see a financial impact on our wind facilities, should they be curtailed to prevent wildlife loss or if more stringent policies and regulations are in place to protect wildlife.

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

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

See Regulatory Matters, page 101, for further discussion of current regulatory items.

Strategies employed for managing regulatory risk:

- Predict and identify existing, new or changed laws or regulations, or changed interpretations of such, and prepare and advocate appropriate responses or plans.
- Comply with all applicable laws, regulations and guidelines and monitor compliance.
- Perform environmental compliance audits and take corrective actions as necessary.
- Establish constructive relationships with relevant levels of government, agencies and stakeholders.
- Participate in all relevant consultation processes. Execute on-time permitting, license renewals and other activities associated with laws and regulations.
- Proactively identify environmental risks within operations, maintenance and construction activities and promote awareness throughout and at all levels of the Company.
- Water management plan enhanced in 2021, to be fully implemented in 2022.
- Ensure that contractors align with Capital Power's environmental policies and procedures.
- Support the timely development of appropriate transmission capability through active relationships with regulators.
- Work with third parties to develop technologies to deter wildlife at wind facilities.
- Management actively monitors emission abatement technologies and assesses opportunities to expand the Company's portfolio of technologies that may have direct application in reducing emissions in natural gas generating assets.
- Maintain a mix of technologies and geographies across our fleet.

Business resilience

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

Strategies employed for managing business resilience risk:

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

- Organization-wide COVID-19 vaccination policy.
- Remote work was enacted March 13, 2020 with physical access to Capital Power sites restricted to critical infrastructure workers only. Access for non-critical infrastructure workers to site and all access to the corporate offices follows an approval process, with only those required for operational efficiency being allowed to work onsite permanently.
- COVID-19 specific hazard assessments were completed for all work locations including our generating facilities, office locations and work from home.
- Fleet-wide rapid antigen testing.
- Fleet-wide protocols and procedures were developed including signage, enhanced cleaning, site access screening protocols and temperature checks, COVID-19 specific personal protective equipment, a procedure for suspected cases including contact tracing, and return-to-work protocols for employees and contractors.
- Developed remote capability and isolated the control rooms, the heart of each plant, and installed hospital-grade UV equipment to sterilize the rooms.
- Introduced a tele-medicine program that provides 24/7 virtual health-care support to employees and their families.
- Provided masks to employees and their families.
- COVID-19 education and awareness campaigns including 12 "town hall" meetings where employees were provided information on COVID-19 and vaccination from medical experts.

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

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

Other strategies employed to manage business resilience risk include:

- Establish and maintain emergency and other related contingency planning measures to enable the timely response to and recovery from extreme weather and other events.
- Regular assessment of our facilities for physical risks, including impacts resulting from extreme weather or other climate-change risks and, where beneficial, undertake physical changes at our facilities to mitigate those risks.
- Regular communication with external governmental and industry groups to share threat intelligence, trend analysis and best practices.
- Annual testing of plans through tabletop exercises and participation in large-scale, multi-industry exercises.
- Establish and maintain a physical security management program that is based on industry guidelines and best practices. For example, we are adding and upgrading CCTV systems to allow operators to monitor equipment and site conditions at remote locations, including home-based offices. We have established after-hours camera monitoring and alarm response for remote sites.
- Periodic internal audits of our facilities to ensure that physical security measures are aligned with the Company's risk profile.
- Maintain appropriate insurance coverage.
- Maintain fuel-type and geographic diversity.

Disruptive technology

Evolving technologies in the power industry may impact the competitiveness of Capital Power's fleet and the success of our strategy (see Strategy & Targets, page 8). Technological advancement may improve the competitiveness of alternative power technologies over time, resulting in their expanded deployment across power markets. Capital Power's facilities may face increased competition as these technologies are increasingly relied on to supply power and ancillary services in the markets we operate.

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

Strategies employed for managing disruptive technology risk:

- Capital Power's management and Board of Directors evaluate the Company's strategy on an ongoing basis, including anticipating disruptive technologies that may create risks to or complement the Company's strategy.
- Management monitors emerging technologies with regular assessments and evaluations of economics of competing technologies.
- Management actively monitors emission abatement technologies and assesses opportunities to expand the Company's portfolio of technologies that may have direct application in reducing emissions from natural gas generating assets.
- Management continuously evaluates opportunities to enhance competitiveness of existing assets through optimization and efficiency initiatives.

Cyber security and systems

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

Capital Power adopted a work-from-home policy for non-plant staff in 2020 due to COVID-19. As the Company transitions to a flexible work arrangement incorporating a hybrid model of working from home and in the office, this policy continues to be in effect. Having a remote workforce increases certain cyber threats, such as increased malicious network traffic and phishing attacks. Capital Power has continued to maintain a secure environment through measures such as secure remote access with multifactor authentication, remote patching and deployment of malware updates, and a more rigorous cyber-security training and awareness program.

Strategies employed for managing cyber-security and systems risk:

- The Cyber Security Leadership Council, comprised of senior leaders from various areas of the Company, meets regularly to monitor the effectiveness of the strategies above and to address new and evolving risks.
- Disaster recovery and backup plans to ensure critical systems and processes can be recovered in the event of a cyber-attack.
- Automated and artificial intelligence-backed monitoring of the Company's information and operational technology systems, logs, and security events.
- Regular communication with external governmental and industry groups to share threat intelligence, trend analysis and best practices.
- Periodic external audits of the effectiveness of the Company's information and operational technology security systems and regular penetration tests.
- System safeguards to combat the ever-increasing sophistication in phishing attacks.
- End user cyber-security training and awareness program.
- Compliance with North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection standards, based on each respective asset's categorization and the applicable regulatory region's requirements.
- Minimize the customization of commercial software, monitor impacts on processes and internal controls, and undertake remedial actions, if required.
- Ensure implementation projects are properly resourced with qualified and trained staff and contractors.
- Employ change management to ensure all enhancements are fully tested and approved, prior to production deployment.
- Regular internal and external tabletop/simulated exercises.
- Implementation of a Supply Chain Cyber Risk Management Plan, to be fully implemented in 2022.

People

People are at the heart of our business and the Company places a strategic focus on attracting the right people and creating an experience where they remain engaged, motivated and empowered. Capital Power's ability to maintain reliable operations of its facilities and to grow the business is dependent upon this and the ability of our workforce to function normally and remain healthy, both physically and mentally. COVID-19 accelerated the momentum behind changes Capital Power anticipated, such as offering non-traditional working arrangements, and we expect that new approaches to work at the plants and within our office environment will continue post COVID-19. We will implement a hybrid work model for our remote workers once we return to the office.

Capital Power is experiencing a demographic shift as a significant number of its employees are expected to retire over the next several years. Failure to secure sufficient qualified labour may negatively impact Capital Power's operations or construction and development projects or may increase expenses.

Capital Power's current collective bargaining agreements expire periodically. Although not a common occurrence in Capital Power's history, the renegotiation of the collective agreements bears the risk of labour disruption or significant increases in labour costs.

The Company's collective agreement with CSU 52, which represents certain administrative, technical, professional and information technology employees located in the Edmonton corporate office and Genesee power plant, expired December 18, 2021. All existing terms, conditions and wage rates in the expired collective agreement will continue in force and effect until a new collective agreement is reached. Negotiations related to a new collective agreement commenced in the fourth quarter of 2021 and are ongoing.

The Company's collective agreement with UNIFOR 829, which represents power engineers located at the Genesee power plant, expires December 19, 2022.

The Company's collective agreement with IBEW 1007, which represents employees directly engaged in the maintenance of electrical generation at the Genesee power plant, expires December 19, 2023.

The Company's collective agreement with UNIFOR 1123, which represents maintenance workers and power engineers at the Island Generation facility, expires April 30, 2024.

Strategies employed for managing people risk:

- Maintain strong people services programs and practices including flexible work arrangements, multi-faceted wellness programs, appropriate ethics and employee conduct policies and programs.
- Equity, diversity and inclusion strategy to ensure we are meeting the unique needs of our employees.
- Track employee engagement.
- Workforce and contingency planning.
- Maintain competitive compensation programs.
- Maintain succession plans for key positions.
- Maintain strong collective bargaining capability, programs and practices.
- Career development plans and opportunities and talent management programs available to all employees.

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

Strategies employed for managing health and safety risk:

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

- Organization-wide COVID-19 vaccination policy.
- Maintain an organization-wide health and safety culture and system with regular measurements and compliance audits.
- Maintain facility-specific safety programs and work procedures.
- Ensure that contractors and other stakeholders align with Capital Power's health and safety policies and procedures.

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

Strategies employed for managing cost optimization and efficiency risk:

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

Operation and maintenance of equipment

Failure of generation equipment, transmission lines, pipelines or other equipment could impede the Company's ability to maintain reliable operations of its facilities. It is possible that staffing levels at our facilities in the future could be limited by the availability of healthy staff and required external service providers due to the spread of COVID-19 or future pandemics. Global supply chain issues could also impact the timely availability of parts and equipment.

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

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

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

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

Strategies employed for managing operation and maintenance of equipment risk:

See Business Resilience, page 93, for strategies employed in response to COVID-19 that also apply to managing operation and maintenance of equipment risk.

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

Stakeholder activism

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

Strategies employed for managing stakeholder activism risk:

- Engage with communities in an open, honest and straightforward manner with a focus on building and operating mutually beneficial facilities.
- Follow our internal standards that provide a framework for accountability and best practices for Capital Power's stakeholder engagement processes, which include emphasis on accurate data management and providing all parties with copies of documentation and sharing information transparently.
- Continuous learning and process improvements with debriefs after completing significant engagement processes to leverage lessons learned for future projects.
- Participate in all relevant stakeholder consultation processes.
- Build and maintain strong relationships in the communities we operate through regular and ongoing community engagement and investment.
- Identify and assess potential stakeholder concerns when screening growth opportunities.
- Developed and are implementing an Indigenous relations strategy to create long-term mutually beneficial relationships between Capital Power and Indigenous communities where we develop and operate facilities.

Finance

Capital Power's ability to fund current and future capital requirements, along with its working capital needs, is dependent upon access to financial markets. Uncertainty and volatility in the Canadian and U.S. financial markets may adversely affect Capital Power's ability to access and arrange financing under favourable terms and conditions. Our cost of capital will also depend upon prevailing market conditions, and in the case of our sustainability-linked credit facilities (SLCs), whether our annual targets for Scope 1 CO_2 emissions intensity levels are met. Our ability to access capital will also depend upon the Company's business and ESG performance as indicated by the assigned corporate credit and ESG ratings. See Liquidity and Capital Resources, page 81.

The potential for ongoing volatility in financial markets driven by the pandemic and changing political climates in Canada and the U.S. could create additional uncertainty when accessing capital. If Capital Power is unable to access sufficient capital on acceptable terms, there could be an adverse effect on its business plan and financial condition. Additionally, Capital Power is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies, including the Company's financial exposure management policy. Additional strategies employed to manage finance risk are outlined below.

Strategies employed for managing credit rating risk:

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

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

Strategies employed for managing liquidity and interest rate risk:

- Monitor cash and currency requirements on a regular basis by preparing short-term and long-term cash flow forecasts and by matching the maturity profiles of financial assets and liabilities to identify financing requirements.
- Laddered debt maturities to avoid large debt repayments in a single year.
- Maintain constructive relationships with banks, investment banks and other financial counterparties.
- Meet financing requirements through a combination of committed and demand revolving credit facilities, financings in public and private capital debt markets, and equity offerings.
- Balance the use of fixed rate and floating rate financing options.
- Utilize derivative and swap instruments to manage interest rate risk.
- Monitor Scope 1 CO_2 emission intensity levels on a regular basis.

Counterparty risk is the possible financial loss associated with the potential inability of counterparties to satisfy their contractual obligations to Capital Power, including payment and performance. Capital Power is also dependent upon its cogeneration hosts and suppliers of fuel to its plants. If a wholesale electricity market counterparty defaults, Capital Power may not be able to replace such counterparty to effectively manage short or long energy positions, resulting in reduced revenues or increased power costs. Furthermore, a prolonged deterioration in economic conditions could increase the foregoing risks.

Strategies employed for managing counterparty credit risk:

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

Tax

Capital Power's operations are complex, and the determination of income taxes involves income tax interpretations, regulations and legislation that are continually changing. Our tax filings are subject to audit by taxation authorities. Management believes that it has adequately provided for income taxes as required by International Financial Reporting Standards, based on all information currently available. It is not possible to predict, with complete accuracy, changes in the legislative environment or their impact on the Company's income tax status. Future changes in tax legislation may have an adverse impact on Capital Power, its shareholders and the value of the Company's common shares.

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

The statutory income tax rates on income before tax were 23% and 24% for 2021 and 2020, respectively. The effective income tax rate can change depending on the mix of earnings from various jurisdictions, and on deductions and inclusions in determining taxable income that do not fluctuate with earnings.

Strategies employed for managing tax risk:

- Consult with all levels of government with respect to tax policy development and proposed legislation.
- Develop and maintain tax expertise and resources necessary, including third-party advisors, to understand tax legislation.
- Internal policy that guides the roles and responsibilities of our Tax team.
- Comply with tax laws of jurisdictions that Capital Power operates in.

Foreign exchange

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

Strategies employed for managing foreign exchange risk:

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

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

Reputation

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

Strategies employed for managing reputation risk:

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

- Fostering a highly ethical culture.
- Compliance with all regulations.
- Public ESG targets and transparent reporting on progress toward those targets.
- Leadership compensation linked to ESG performance.
- Integration of ESG criteria in investment decisions to ensure appropriate consideration of ESG risks.
- Commitment to transparent reporting and disclosure to assist in addressing concerns and risks with investors and other stakeholders.
- Maintain regular, timely and ongoing open and transparent reporting to our investors and stakeholders about our performance, operations, developments, purpose, values and goals.
- Ongoing monitoring of the Company's social media and media presence for content and tone to promptly identify and address any reputational concerns.

General economic conditions, inflation, business environment and other risks

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

As the global economy recovers from the pandemic, increased consumer spending combined with supply chain issues have caused inflationary pressures in the jurisdictions in which we operate. Should inflationary pressures persist, Capital Power could incur higher operations, maintenance and labour costs, offset by higher revenues from our off-take agreements where inflation escalation clauses exist, as well as higher construction costs for development projects. The Company includes inflation clauses in the long-term contracts for our facilities' output, whenever possible. The Company is exposed to financial loss, should the inflation indices in the contracts for our facilities output not keep pace with the inflation indices in our long-term service agreements with OEMs. The Company remains focused on efficiencies and cost management of plant operation and maintenance, with prudent increases to headcount to support its growth.

The Company is dependent upon cash dividends, distributions or other transfers from its subsidiaries, including CPLP, in order to repay any debt the Company may incur, to make dividend payments to its shareholders and to meet its other obligations. The right of the Company, as a unitholder or shareholder of these entities, to realize on the assets of these entities in the event of their bankruptcy or insolvency, would be subordinate to the rights of their creditors and claimants preferred by statute. The terms of the credit facilities of the Company's subsidiaries prohibit them from making distributions if an event of default has occurred and is continuing or would reasonably be expected to result from the distribution. As of December 31, 2021, the Company loaned $2,798 million to the respective subsidiaries under subordinated debt agreements. The terms of these agreements allow interest to be deferred. If interest is deferred, then CPLP has covenanted not to make distributions on any of its outstanding common limited partnership units.

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

Capital Power relies on contracted cash flows to maintain its investment grade credit rating and provide a stable and growing dividend to its shareholders. The Company focuses its growth on strategically positioned contracted assets that have a high likelihood to be re-contracted. To further minimize the risk of its contracted assets becoming merchant facilities post existing contracts, the Company establishes and maintains constructive relationships with contract counterparties, engages in early contract renewal discussions where possible, and deploys asset optimization initiatives to increase the competitiveness of its assets.

In the normal course of Capital Power's operations, the Company may become involved in various legal proceedings including arbitration of the interpretation of any contract. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty. However, the Company does not believe that the outcome of any claims or potential claims of which it is aware, which have not already been provided for, will have a material adverse effect on Capital Power's financial condition and results of operations (see Contractual Obligations, Contingent Liabilities, Other Legal Matters and Provisions, page 85).

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

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

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

Environmental matters

The Company recorded decommissioning provisions of $366 million at December 31, 2021 ($414 million at December 31, 2020) for its generation facilities and the Genesee Mine as it is obliged to remove the facilities at the end of their useful lives and restore the facility and mine sites to their original condition. Decommissioning provisions for the Genesee Mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation. The timing of reclamation activities could vary and the amount of decommissioning provisions could change depending on potential future changes in environmental regulations and the timing of any facility fuel conversions.

The Company has forward contracts to purchase environmental credits totalling $413 million and forward contracts to sell environmental credits totalling $402 million in future years. Included within these forward purchases and sales are net purchase amounts which will be used by the Company to comply with applicable environmental regulations and net sale amounts related to other emissions trading activities.

Regulatory matters

Canada

On December 11, 2020, the Government of Canada released its updated climate plan (the Federal Plan). The Federal Plan sets out a range of measures and proposed policies across multiple sectors that are intended to enable Canada to meet and exceed its current 2030 GHG reduction commitments under the Paris Agreement, and also set Canada on a path to achieving net-zero carbon emissions by 2050. Among other things, the Federal Plan proposes to increase the carbon price by $15 per tonne per year after 2022 until achieving a price of $170 per tonne in 2030.

On April 22, 2021, Prime Minister Trudeau announced that Canada will increase its emissions reduction target under the Paris Agreement to be 40%–45% below 2005 levels by 2030, compared to the previous target of 30%. The 40%–45% emissions reduction was subsequently incorporated in the *Canadian Net-Zero Emissions Accountability Act*, which received Royal Assent on June 29, 2021, and was reflected in Canada's enhanced Nationally Determined Contribution that was submitted to the United Nations on July 12, 2021.

The Federal Government also confirmed in July 2021 that the minimum price on carbon will increase by $15 per tonne each year starting in 2023 to a level of $170 per tonne in 2030, as set out in the Federal Plan, and advised that the "benchmark" stringency framework will be updated to ensure all provincial and territorial pricing systems are comparable in terms of stringency and effectiveness. Provinces and territories will continue to have the flexibility to implement the type of system that makes sense for their circumstances as long as they align with the benchmark.

Additional information or details regarding sector-specific targets or measures arising from the new targets, relative to the policies that have been outlined in the Federal Plan, have not been provided at this time. The Company will incorporate the new targets as part of its ongoing assessment of the potential impacts of federal carbon policy for Capital Power's existing facilities and prospective interests in the Canadian market.

On September 21, 2021, the Canadian Federal Election resulted in the re-election of the Liberal Party of Canada as Government in a minority Parliament. The Liberal Party election platform indicated continuity on the aforementioned carbon policies.

On December 3, 2021, the Federal Government announced it would be initiating consultations on a number of new emission reduction measures across various sectors to support Canada's updated emission reduction objectives. One of the consultations will address transitioning to a net-zero emitting electricity grid by 2035. Consultations regarding this issue are expected to commence in early 2022. The Government has committed to working closely with provinces, territories, cities, Indigenous peoples, industry and civil society on the design of these new commitments in order to ensure that relevant considerations are identified and joint priorities are addressed. Capital Power will continue to engage with Federal Government officials regarding carbon policy-related matters and is participating in relevant policy development processes.

Management continues to assess the potential impacts the proposed elements of the updated Federal Plan may have for Capital Power's existing facilities and prospective interests in its Canadian markets, and intends to participate in forthcoming processes, which have yet to be scheduled, to discuss the key elements proposed as part of the Federal Plan.

Alberta

On January 1, 2020, the Government of Alberta (GoA) replaced the Carbon Competitiveness Incentive Regulation (CCIR) with the TIER Regulation for large industrial emitters. On November 5, 2020, the GoA increased the carbon price under the TIER Regulation for the 2021 calendar year to $40 per tonne of carbon dioxide equivalent. On December 1, 2021, the GoA confirmed the carbon price under the TIER Regulation for the 2022 calendar year would increase to $50 per tonne for 2022.

In March 2021, the GoA initiated a Climate Policy Engagement process through which it intends to seek input from stakeholders and industry sectors, including electricity, regarding various aspects of Alberta's carbon policy framework. The process was intended to gather input that will inform Alberta's future policies and programs. The Company participated in the process. The GoA has yet to issue a summary report or establish next steps for this review.

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

In November 2021, the AESO initiated consultation on the MSSC limit of 466 MW and whether this limit should remain at the current level or increase. The current limit impacts the Genesee repowering project as each combined cycle unit (680 MW) would exceed the current limit. The Company has announced plans to install battery storage in conjunction with the Genesee repowering project to alleviate any constraints the existing MSSC limit may present (see Progress on Our Road to Decarbonization, page 22). The Company is also participating in the AESO consultation process and is supportive of the AESO increasing the MSSC limit.

Ontario

Ontario's Independent Electric System Operator (IESO) is continuing work under its Market Renewal Program (MRP), which is a series of coordinated market reforms expected to result in a fundamental redesign of Ontario's electricity market. The IESO's stated goal for the MRP is to improve how electricity is priced, scheduled and procured to meet Ontario's electricity system needs. The Company is actively participating in the MRP stakeholder process and collaborating with the IESO.

On September 21, 2020, the Ontario Minister of the Environment, Conservation and Parks (MECP) announced that the Federal Government has accepted Ontario's Emissions Performance Standards (EPS) as an alternative to the federal carbon pricing regime. Following consultations that took place in 2021, the Government of Ontario (Ontario) released on October 22, 2021 the final amendments to its EPS framework. The amendments establish that the transition from the federal Output-Based Pricing System to the EPS will be effective January 1, 2022, and that the performance standard for the electricity sector is 0.370 tCO_2e/MWh. The EPS does not include offsets as a compliance mechanism. The contracts for Capital Power's York Energy, East Windsor and Goreway facilities have provisions that trigger amendments as a result of changes in GHG cost, the effect of which will limit the impact of changes to carbon compliance costs.

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

On October 7, 2021, the IESO issued a report assessing the impacts of potentially phasing out natural gas generation by 2030, which it had initiated earlier in 2021. The IESO concluded that doing so was not feasible and would lead to blackouts and significantly higher costs associated with replacement generation and additional transmission infrastructure. In response to the report, the Honourable Todd Smith, Minister of Energy, issued a letter directing the IESO to undertake two initiatives. First, the IESO is to evaluate a moratorium on new natural gas generating stations in Ontario and to consider whether alternative sources of electricity can meet Ontario's objectives of affordability, reliability and environmental stewardship. Second, Minister Smith asked the IESO to develop an achievable pathway to phase out natural gas generation and ultimately achieve zero emissions in the electricity system, with consideration to a number of specific elements including the reliability of the electricity system; the cost to electricity ratepayers; the timeline on which this objective would be achievable; the possibility of maintaining existing generating facilities but replacing natural gas with green fuels such as hydrogen and renewable natural gas, or the development of utility-scale carbon capture and storage; and the role of technologies like pumped storage, battery storage combined with non-emitting resources, hydro, nuclear, and demand response to eliminate emissions in the electricity system. The IESO's report back to the Minister is required by November 2022. Capital Power will seek to participate and provide input into the IESO's evaluation.

British Columbia

On December 21, 2021, BC Hydro published their final Integrated Resource Plan (IRP) which affirmed that BC Hydro is not currently intending to renew the long-term EPA for Capital Power's Island Generation facility at Campbell River on Vancouver Island, which expires in April 2022. The Company continues to believe the Island Generation facility is needed to ensure secure and reliable electricity supply for homes and businesses on Vancouver Island and in Metro Vancouver and will actively participate in the forthcoming BC Utilities Commission (BCUC) regulatory process. In September 2021, BC Hydro indicated to the BCUC that in response to issues with the submarine cable between Vancouver Island and the mainland, it would initiate further discussions with Capital Power to determine if Island Generation can provide economic backup capacity while repairs are undertaken over the next two to four years. BC Hydro noted in the final IRP document that discussions in this respect were ongoing.

On October 25, 2021, the Government of British Columbia released "CleanBC: Roadmap to 2030" which identified a number of measures and initiatives that British Columbia would undertake as part of a stronger and more ambitious plan and to achieve its 2030 emissions targets and net-zero emissions by 2050. Among other measures, the Government of British Columbia intends to increase the Clean Electricity Delivery Standard for the BC Hydro integrated grid to 100%, which it expects BC Hydro to meet in part by phasing out its remaining natural gas-fired facilities on the grid by 2030. While full details regarding implementation of this and other components of the plan are not known, this component of the Roadmap could limit the term for any re-contracting of the Island Generation facility.

As a result of the developments noted above, the Company recorded an impairment of the Island Generation cash generating unit (CGU) of $52 million during the fourth quarter of 2021.

United States

Following the November 3, 2020 U.S. presidential election, the Biden Administration has pursued a "whole of government" effort to address clean energy and climate change outlined via Executive Orders, including Executive Branch and Congressional efforts. Key risks will relate to how these efforts impact natural gas, while low-carbon technologies and renewable energy stand to benefit with some caveats regarding new social license requirements.

In its entirety, the effort will include a broad range of regulatory and funding actions by the Executive Branch under existing statutory authority. These actions will range from new regulatory requirements under the Environmental Protection Agency's *Clean Air Act* authority to enhanced funding for climate mitigation at the Department of Energy to new climate and sustainability risk disclosure requirements at the Securities and Exchange Commission.

Legislatively, a broad US$1.2 trillion infrastructure package passed Congress and was signed into law by President Biden. Billions of dollars in grants and loans toward research, development and deployment of low-carbon technologies such as hydrogen, carbon capture, utilization and storage and direct air capture are now authorized by law and funds will be distributed by the Department of Energy in the coming years through competitive bidding processes. The separate Build Back Better legislative package, however, is highly political and subject to significant negotiation before being passed by Congress and signed into law by the President. Several risks and opportunities are embedded in these legislative proposals, best articulated in the President's American Jobs Plan. Some of the key provisions relevant to Capital Power include the following: (i) potential increases in the corporate tax rate, and (ii) extension and enhancement or reform of tax credits that benefit clean energy investment and production. It remains to be seen in 2022 if the Build Back Better legislation will become law.

With respect to renewable energy support whether through legislation or regulatory action, the Biden Administration's priorities seek to increase pressure on the sector to increase labour standards and seek a more sustainable and U.S. manufactured/procured supply chain in the development process. In addition, a range of new Environmental Justice requirements are also possible in the clean energy sector.

On June 24, 2021, the White House announced an importation ban on silica and related goods, including polysilicon products, from China-based Hoshine Silicon Industry Limited (Hoshine) and its subsidiaries. The Withhold and Release Order, issued by Customs & Border Protection, requires close inspection and possible detention of shipments of silica and polysilicon products produced by Hoshine or its subsidiaries, or products that incorporate these materials, at port of entry. The Company is in the process of assessing the impacts of this development to its supply chain but does not anticipate any material impacts of complying with the noted importation ban. The Company's efforts to date include assessing compliant supply chain options for future purchase commitments on U.S. projects and signing on to the "Solar Industry Forced Labor Prevention Pledge" – a voluntary agreement that seeks to minimize these risks to the fullest extent possible (see Reducing Risks in Our Supply Chain, page 32).

Management continues to monitor these developments closely as they progress as they could have significant impacts on Capital Power.

Use of judgments and estimates

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

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

Critical judgments in applying accounting policies

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

Judgment	Management applies judgment to evaluate	Resulting conclusions
Cash generating units	What constitutes a CGU based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.	CGUs were determined giving consideration to geographic proximity and shared risk exposure and risk management.
Asset impairment	Whether events or circumstances may indicate that an asset's carrying amount exceeds its recoverable amount.	In October 2021, the B.C. government released its CleanBC plan indicating it intends to phase out all natural gas generation by 2030. In December 2021, BC Hydro released its final IRP, which excluded Island Generation. These developments were indicators for the Company to test the Island Generation CGU for impairment in the fourth quarter of 2021. The carrying amount of the Island Generation CGU was above the estimated recoverable amount resulting in a pre-tax impairment of $52 million.

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

Assumptions and estimation uncertainties

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

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

Financial instruments

The classification, carrying amounts and fair values of financial instruments held at December 31, 2021 and 2020 were as follows:

(unaudited, $ millions)	Fair value hierarchy level[1]	December 31, 2021		December 31, 2020	
		Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets:					
Amortized cost					
Cash and cash equivalents	N/A	**387**	**387**	367	367
Trade and other receivables[2]	N/A	**419**	**419**	445	445
Government grant receivable[3]	Level 2	**404**	**395**	441	448
Fair value through income or loss					
Derivative financial instruments assets – current and non-current	See below	**313**	**313**	238	238
Fair value through other comprehensive loss					
Derivative financial instruments assets – current and non-current	See below	**17**	**17**	10	10
Financial liabilities:					
Other financial liabilities					
Trade and other payables	N/A	**624**	**624**	470	470
Loans and borrowings[3]	Level 2	**3,360**	**3,515**	3,552	3,838
Fair value through income or loss					
Derivative financial instruments liabilities – current and non-current	See below	**440**	**440**	160	160
Fair value through other comprehensive loss					
Derivative financial instruments liabilities – current and non-current	See below	**164**	**164**	143	143

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

[2] Excludes current portion of government grant receivable.

[3] Includes current portion.

Risk management and hedging activities

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

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

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

The derivative financial instruments assets and liabilities held at December 31, 2021 and 2020 and used for risk management purposes were measured at fair value and consisted of the following:

		At December 31, 2021				
(unaudited, $ millions)	Fair value hierarchy level	**Commodity cash flow hedges**	**Commodity non-hedges**	**Interest rate cash flow hedges**	**Interest rate non-hedges**	**Total**
Derivative financial instruments assets	Level 2	**7**	**290**	**10**	**9**	**316**
	Level 3	**–**	**14**	**–**	**–**	**14**
		7	**304**	**10**	**9**	**330**
Derivative financial instruments liabilities	Level 2	**(93)**	**(241)**	**(71)**	**(1)**	**(406)**
	Level 3	**–**	**(198)**	**–**	**–**	**(198)**
		(93)	**(439)**	**(71)**	**(1)**	**(604)**
Net derivative financial instruments (liabilities) assets		**(86)**	**(135)**	**(61)**	**8**	**(274)**

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

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

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

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

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

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

Disclosure controls and procedures and internal control over financial reporting

At December 31, 2021, management conducted an evaluation of the design and operation of the Company's disclosure controls and procedures to provide reasonable assurance that:

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

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

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

At December 31, 2021, management conducted an evaluation of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal controls over financial reporting are appropriately designed and effective.

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

Summary of quarterly results

(GWh)	Three months ended							
Electricity generation	**Dec 31 2021**	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Total generation	**6,103**	**6,103**	**4,975**	**5,630**	6,445	6,327	5,472	5,562
Alberta commercial facilities[1]								
Genesee 1	**877**	**824**	**708**	**616**	807	739	689	792
Genesee 2	**259**	**156**	**701**	**581**	791	696	618	773
Genesee 3	**1,006**	**1,009**	**951**	**904**	928	1,014	926	913
Clover Bar Energy Centre 1, 2 and 3	**135**	**235**	**67**	**23**	112	98	79	196
Joffre	**136**	**166**	**180**	**203**	209	171	132	186
Shepard	**714**	**739**	**379**	**803**	839	784	770	867
Halkirk Wind	**145**	**98**	**111**	**151**	150	117	121	148
Clover Bar Landfill Gas	**–**	**–**	**–**	**–**	–	1	1	1
	3,272	**3,227**	**3,097**	**3,281**	3,836	3,620	3,336	3,876
Western Canada contracted facilities[1,2]								
Island Generation	**16**	**424**	**114**	**28**	4	47	–	7
Quality Wind	**130**	**101**	**83**	**127**	128	108	99	122
EnPower	**6**	**–**	**7**	**11**	8	2	3	10
Whitla Wind	**307**	**156**	**178**	**235**	258	170	192	238
	459	**681**	**382**	**401**	398	327	294	377
Ontario contracted facilities[2]								
York Energy	**4**	**6**	**5**	**4**	3	4	3	4
East Windsor	**3**	**4**	**4**	**–**	1	2	2	1
Goreway	**383**	**453**	**159**	**234**	279	329	217	143
Kingsbridge 1	**32**	**13**	**20**	**30**	36	15	21	32
Port Dover and Nanticoke	**81**	**47**	**66**	**81**	95	53	70	90
	503	**523**	**254**	**349**	414	403	313	270
U.S. contracted facilities								
Roxboro, North Carolina[3]	**N/A**	**N/A**	**N/A**	**57**	81	84	84	81
Southport, North Carolina[3]	**N/A**	**N/A**	**N/A**	**60**	95	100	114	105
Decatur Energy, Alabama	**789**	**381**	**240**	**356**	369	665	327	124
Arlington Valley, Arizona	**501**	**876**	**461**	**545**	644	693	404	377
Beaufort Solar, North Carolina	**6**	**8**	**8**	**6**	6	8	8	6
Bloom Wind, Kansas	**147**	**132**	**177**	**165**	179	154	212	183
Macho Springs Wind, New Mexico	**30**	**15**	**41**	**38**	30	21	43	35
New Frontier Wind, North Dakota	**126**	**92**	**93**	**103**	120	95	102	110
Cardinal Point Wind, Illinois	**177**	**93**	**141**	**170**	170	86	138	18
Buckthorn Wind, Texas	**93**	**75**	**81**	**99**	103	71	97	N/A
	1,869	**1,672**	**1,242**	**1,599**	1,797	1,977	1,529	1,039

[1] The Genesee 1 and 2 PPAs expired on December 31, 2020 and as a result, commencing January 1, 2021, electricity from Genesee 1 and 2 is sold into the energy market on a merchant or non-contracted basis and presented within Alberta commercial facilities. Results for the comparative periods reflect power sold on a contracted basis for Genesee 1 and 2 within the Alberta commercial grouping.

[2] During the first quarter of 2021, management has reviewed its facility groupings as a result of the change in classification of Genesee 1 and 2 as well as internal organizational changes. To best reflect how the Company operates, commencing January 1, 2021, the British Columbia and Alberta contracted facilities will be reported together as Western Canada contracted facilities with the Ontario contracted facilities in a separate grouping. Comparative figures have been reclassified to conform to the current period's presentation.

[3] The PPAs for the Southport and Roxboro facilities expired March 31, 2021, and the facilities also ceased operations.

(%)	Three months ended							
Facility availability	**Dec 31 2021**	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Total average facility availability	**89**	**91**	**84**	**96**	97	98	92	91
Alberta commercial facilities[1]								
Genesee 1	**100**	**94**	**92**	**92**	96	100	100	96
Genesee 2	**29**	**19**	**100**	**100**	98	100	97	97
Genesee 3	**100**	**99**	**95**	**95**	93	100	95	92
Clover Bar Energy Centre 1, 2 and 3	**83**	**97**	**94**	**99**	91	98	90	97
Joffre	**82**	**92**	**95**	**100**	99	99	100	93
Shepard	**99**	**100**	**50**	**100**	100	100	99	100
Halkirk Wind	**98**	**96**	**98**	**98**	97	96	99	98
Clover Bar Landfill Gas	**75**	**24**	**–**	**–**	–	37	48	53
	84	**83**	**87**	**97**	96	99	97	96
Western Canada contracted facilities[1,2]								
Island Generation	**97**	**96**	**89**	**100**	100	100	100	100
Quality Wind	**97**	**96**	**98**	**97**	97	98	98	96
EnPower	**98**	**100**	**93**	**89**	98	100	74	86
Whitla Wind	**97**	**95**	**98**	**98**	99	98	97	97
	97	**96**	**94**	**98**	99	99	98	98
Ontario contracted facilities[2]								
York Energy	**89**	**87**	**100**	**100**	100	98	100	100
East Windsor	**88**	**100**	**100**	**99**	94	99	96	99
Goreway	**91**	**100**	**89**	**99**	95	93	96	88
Kingsbridge 1	**99**	**99**	**98**	**99**	100	98	98	99
Port Dover and Nanticoke	**97**	**90**	**99**	**99**	98	93	99	99
	91	**97**	**93**	**99**	96	94	97	92
U.S. contracted facilities								
Roxboro, North Carolina[3]	**N/A**	**N/A**	**N/A**	**100**	100	99	99	90
Southport, North Carolina[3]	**N/A**	**N/A**	**N/A**	**100**	99	98	100	85
Decatur Energy, Alabama	**82**	**94**	**51**	**79**	100	100	73	87
Arlington Valley, Arizona	**99**	**100**	**78**	**99**	96	99	77	66
Beaufort Solar, North Carolina	**98**	**96**	**97**	**99**	98	99	100	100
Bloom Wind, Kansas	**90**	**90**	**98**	**95**	99	95	98	99
Macho Springs Wind, New Mexico	**98**	**97**	**98**	**98**	98	97	98	99
New Frontier Wind, North Dakota	**97**	**95**	**97**	**94**	93	97	98	98
Cardinal Point Wind, Illinois	**99**	**96**	**97**	**99**	97	92	95	89
Buckthorn Wind, Texas	**94**	**96**	**94**	**94**	96	94	95	N/A
	91	**96**	**72**	**90**	98	98	82	83

[1] The Genesee 1 and 2 PPAs expired on December 31, 2020 and as a result, commencing January 1, 2021, electricity from Genesee 1 and 2 is sold into the energy market on a merchant or non-contracted basis and presented within Alberta commercial facilities. Results for the comparative periods reflect power sold on a contracted basis for Genesee 1 and 2 within the Alberta commercial grouping.

[2] During the first quarter of 2021, management has reviewed its facility groupings as a result of the change in classification of Genesee 1 and 2 as well as internal organizational changes. To best reflect how the Company operates, commencing January 1, 2021, the British Columbia and Alberta contracted facilities will be reported together as Western Canada contracted facilities with the Ontario contracted facilities in a separate grouping. Comparative figures have been reclassified to conform to the current period's presentation.

[3] The PPAs for the Southport and Roxboro facilities expired March 31, 2021, and the facilities also ceased operations.

Financial results

(unaudited, $ millions)	Three months ended							
	Dec 31 2021	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Revenues and other income								
Alberta commercial facilities and portfolio optimization[1]	**380**	**313**	**314**	**343**	245	274	241	276
Western Canada contracted facilities[1,2]	**43**	**28**	**25**	**37**	38	29	27	37
Ontario contracted facilities[2]	**88**	**82**	**66**	**80**	84	70	70	73
U.S. contracted facilities	**97**	**101**	**86**	**118**	112	133	117	101
Corporate[3]	**32**	**32**	**32**	**30**	19	13	12	11
Unrealized changes in fair value of commodity derivatives and emission credits	**32**	**(179)**	**(136)**	**(54)**	18	(66)	(32)	35
	672	**377**	**387**	**554**	516	453	435	533
Adjusted EBITDA[5]								
Alberta commercial facilities and portfolio optimization[1]	**172**	**132**	**136**	**165**	99	131	106	132
Western Canada contracted facilities[1,2]	**34**	**20**	**18**	**29**	31	22	21	30
Ontario contracted facilities[2,4]	**57**	**53**	**49**	**57**	61	52	56	58
U.S. contracted facilities	**35**	**85**	**35**	**55**	47	96	56	31
Corporate	**(4)**	**(4)**	**3**	**(3)**	(18)	(17)	(22)	(17)
	294	**286**	**241**	**303**	220	284	217	234

[1] The Genesee 1 and 2 PPAs expired on December 31, 2020 and as a result, commencing January 1, 2021, electricity from Genesee 1 and 2 is sold into the energy market on a merchant or non-contracted basis and presented within Alberta commercial facilities. Results for the comparative periods reflect power sold on a contracted basis for Genesee 1 and 2 within the Alberta commercial grouping.

[2] During the first quarter of 2021, management has reviewed its facility groupings as a result of the change in classification of Genesee 1 and 2 as well as internal organizational changes. To best reflect how the Company operates, commencing January 1, 2021, the British Columbia and Alberta contracted facilities will be reported together as Western Canada contracted facilities with the Ontario contracted facilities in a separate grouping. Comparative figures have been reclassified to conform to the current period's presentation.

[3] Revenues are offset by interplant category revenue eliminations.

[4] The reported Ontario contracted facilities' adjusted EBITDA includes the adjusted EBITDA from the York Energy joint venture.

[5] Adjusted EBITDA is a non-GAAP financial measure (see Non-GAAP Financial Measures and Ratios, page 60).

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

Financial highlights

(unaudited, $ millions except per share amounts)	Three months ended							
	Dec 31 2021	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Revenues and other income	**672**	**377**	**387**	**554**	516	453	435	533
Adjusted EBITDA[1,2]	**294**	**286**	**241**	**303**	220	284	217	234
Net (loss) income	**(69)**	**38**	**17**	**101**	1	106	23	–
Net (loss) income attributable to shareholders of the Company	**(65)**	**40**	**20**	**103**	3	108	23	2
Basic (loss) earnings per share ($)	**(0.67)**	**0.23**	**0.05**	**0.83**	(0.09)	0.89	0.10	(0.11)
Diluted (loss) earnings per share ($)[3]	**(0.67)**	**0.23**	**0.05**	**0.83**	(0.09)	0.89	0.09	(0.11)
Normalized earnings per share ($)[1]	**0.47**	**0.55**	**0.32**	**0.64**	0.12	0.66	0.17	0.27
Net cash flows from operating activities	**185**	**347**	**129**	**206**	159	258	91	103
Adjusted funds from operations[1]	**149**	**206**	**91**	**159**	86	221	97	118
Adjusted funds from operations per share ($)[1]	**1.28**	**1.78**	**0.83**	**1.49**	0.81	2.10	0.92	1.12
Purchase of property, plant and equipment and other assets, net	**198**	**176**	**151**	**97**	65	67	105	81

[1] The consolidated financial highlights, except for adjusted EBITDA, normalized earnings per share, AFFO and AFFO per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios, page 60.

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

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

	Three months ended							
Spot price averages	**Dec 31 2021**	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
Alberta power ($ per MWh)	**107**	**100**	**105**	**95**	46	44	30	67
Alberta natural gas (AECO) ($ per Gj)	**4.48**	**3.32**	**3.03**	**3.07**	2.52	2.17	1.90	1.99
Capital Power's Alberta portfolio average realized power price ($ per MWh)	**84**	**75**	**75**	**77**	56	59	53	62

Factors impacting results for the fourth quarter of 2021

For the quarter ended December 31, 2021, the Company recorded net loss attributable to shareholders of $65 million compared to net income attributable to shareholders of $3 million for the quarter ended December 31, 2020. Decreases in net income were driven by an impairment loss of $52 million related to the Island Generation facility in the fourth quarter of 2021 compared to the impairment recorded in the fourth quarter of 2020 related to the cancellation of the Genesee 1 and 2 dual-fuel project. Unrealized losses on commodity derivatives and emission credits in the fourth quarter of 2021 were $104 million higher than in the fourth quarter of 2020, most notably related to the impact of increasing forward power prices on Alberta and U.S. net forward sale contracts and the impact of decreasing forward natural gas prices on net forward purchase contracts during the fourth quarter of 2021. In addition, net income was reduced compared to the fourth quarter of 2020 by lower adjusted EBITDA from our U.S. contracted facilities, including the impact of the retirement of the Southport and Roxboro facilities, and higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine. Partially offsetting these operational variances were: higher Alberta commercial adjusted EBITDA due largely to higher captured prices and the impacts of the Genesee 1 and 2 PPA expiry, and lower net finance expense.

Factors impacting results for the previous quarters

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

For the quarter ended September 30, 2021, the Company recorded net income attributable to shareholders of $40 million compared to net income attributable to shareholders of $108 million for the quarter ended September 30, 2020. Decreases in net income were due to: lower adjusted EBITDA from U.S. contracted facilities, including the impact of the retirement of the Southport and Roxboro facilities effective March 31, 2021, unrealized losses on commodity derivatives and emission credits that were $97 million higher than the unrealized gains in the third quarter of 2020 mainly due to the impact of increasing forward prices on Alberta and U.S. power net forward sale contracts, partially offset by the impact of increasing forward prices on natural gas net forward purchase contracts; and higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine. These decreases were partially offset by $31 million of gains on disposals and other transactions including insurance recoveries, net of related expenses to repair Genesee 2 (see Significant Events, page 66) and a gain on decommissioning of the Southport and Roxboro facilities to reflect lower than expected decommissioning costs. Lastly, income tax expense was lower in the third quarter of 2021 primarily due to lower consolidated income before tax.

For the quarter ended June 30, 2021, the Company recorded net income attributable to shareholders of $20 million compared to net income attributable to shareholders of $23 million for the quarter ended June 30, 2020. Decreases in net income were due to: lower adjusted EBITDA from U.S. contracted facilities primarily due to the retirement of the Southport and Roxboro facilities effective March 31, 2021 and the impacts of the strengthening Canadian dollar; unrealized losses on commodity derivatives and emission credits that were $15 million higher than in the second quarter of 2020 mainly due to the impact of increasing forward prices on U.S. power forward sale contracts, partially offset by unrealized gains on natural gas net forward purchase contracts; higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine; and unrealized foreign exchange losses on outstanding foreign currency non-hedge sale contracts transacted during the second quarter of 2021. These decreases were largely offset by higher adjusted EBITDA from Alberta commercial facilities due to higher realized Alberta power prices and the dispatch of Genesee 1 and 2 being on a merchant basis and the accelerated recognition of off-coal compensation.

For the quarter ended March 31, 2021, the Company recorded net income attributable to shareholders of $103 million compared to net income attributable to shareholders of $2 million for the quarter ended March 31, 2020. Increases in net income were due largely to higher adjusted EBITDA from: Alberta commercial facilities due to higher realized Alberta power prices and the dispatch of Genesee 1 and 2 being on a merchant basis, the accelerated recognition of off-coal compensation, the acquisition of Buckthorn Wind in the second quarter of 2020 and the commissioning of Cardinal Point Wind late in the first quarter of 2020. Unrealized losses on commodity derivatives and emission credits were $11 million lower than in the first quarter of 2020 mainly due to the impact of increasing forward prices resulting in unrealized gains on commodity forward purchase contracts, partially offset by unrealized losses on U.S. power forward sale contracts. Further increases in net income during the quarter were due to: an unrealized foreign exchange gain resulting from the strengthening of the Canadian dollar on foreign currency sale contracts compared to a loss in the first quarter of 2020; gains on the interest rate non-hedge held within the York Energy joint venture due to increasing interest rates compared with losses in the first quarter of 2020; and reductions in impairment losses compared to the first quarter of 2020 related to the discontinuation of the Genesee 4 and 5 project. Partially offsetting these variances were higher emissions costs at Genesee, higher depreciation expense due to accelerated depreciation of Genesee 1 and 2 coal assets and the Genesee Mine, and the commissioning of Cardinal Point Wind and acquisition of Buckthorn Wind.

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

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

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

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

Share and partnership unit information

Quarterly common share trading information

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

	Three months ended							
Share price ($/common share)	**Dec 31 2021**	**Sep 30 2021**	**Jun 30 2021**	**Mar 31 2021**	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020
High	**45.05**	**45.04**	**42.28**	**38.34**	36.47	30.28	29.92	38.88
Low	**37.95**	**39.99**	**36.22**	**33.31**	29.13	26.57	23.24	20.23
Close	**39.46**	**42.71**	**40.95**	**36.40**	34.98	29.39	27.98	27.15
Volume of shares traded (millions)	**15.8**	**13.4**	**21.3**	**22.9**	20.2	21.6	29.5	31.8

Outstanding share and partnership unit data

At February 18, 2022, the Company had 116.210 million common shares, 5 million Cumulative Rate Reset Preference Shares (Series 1), 6 million Cumulative Rate Reset Preference Shares (Series 3), 8 million Cumulative Rate Reset Preference Shares (Series 5), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 9), 6 million Cumulative Minimum Rate Reset Preference Shares (Series 11), and one special limited voting share outstanding. Assuming full conversion of the outstanding and issuable share purchase options to common shares and ignoring exercise prices, the outstanding and issuable common shares at February 18, 2022 were 118.326 million. The outstanding special limited voting share is held by EPCOR.

At February 18, 2022, CPLP had 90.742 million general partnership units outstanding and 337.733 million common limited partnership units outstanding. All of the outstanding general partnership units and the outstanding common limited partnership units are held by the Company.

Additional information

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

Forward-looking Information

In this section:

- **Forward-looking information**

Forward-looking information

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

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

- our priorities and long term-strategies, including our corporate, sustainability, renewables and digitalization strategies;
- our company-wide targets specific to climate-related performance, including reduction of emissions and emissions intensity and being net carbon neutral by 2050, repowering of Genesee 1 and 2 with addition of battery storage and conversion of Genesee 3, completion of the Genesee Carbon Conversion Centre and commercial application of carbon conversion, capture and storage technologies;
- the implementation of Ops 2030, our Road to Decarbonization and our roadmap to 2050 and the expected reduction in carbon from our operations;
- our efforts to create a more equitable workplace and our goals for diversity of our workforce;
- our goals for long-term Total Shareholder Return, annual capital growth and future dividend growth;
- our 2022 performance targets, including for facility availability, sustaining capital expenditures, AFFO and adjusted EBITDA;
- our plans to add renewables generation to our fleet;
- expectations around timing and costs associated with our upgrades, projects and repowering plans at our Genesee facility, including being off coal in 2023;
- future revenues, expenses, earnings, adjusted EBITDA and AFFO;
- the future pricing of electricity and market fundamentals in existing and target markets;
- future dividend growth;
- our future cash requirements including interest and principal repayments, capital expenditures, dividends and distributions;
- our sources of funding, adequacy and availability of committed bank credit facilities and future borrowings;
- future growth and emerging opportunities in our target markets including the focus on certain technologies;
- the timing, funding, costs of and financial impacts (including impacts to adjusted EBITDA and AFFO) related to existing, planned and potential development projects and acquisitions (including the acquisition of portfolio of solar development sites, phase 2 of Halkirk Wind, the repowering of Genesee 1 and 2 (including being hydrogen ready and battery storage), phases 2 and 3 of Whitla Wind, Strathmore Solar, Bear Branch Solar, Hornet Solar, Hunter's Cove Solar and Enchant Solar (see Significant Events, page 66));
- impacts of the Arlington Valley tolling agreement extension on adjusted EBITDA and AFFO (see Significant Events, page 66) in the years the executed agreement becomes effective;
- facility availability and planned outages;
- capital expenditures for facility maintenance and other (sustaining capital, future growth projects, commercial initiatives);
- discussion of our risks and strategies and plans for risk management and mitigation;
- the impacts of market designs in our core markets;
- the resolution of the pricing dispute on the Buckthorn Wind offtake and commodity swaps (see Significant Events, page 66);
- matters related to the LLR Proceeding recovery of payments from appropriate parties and potential impacts to the Company arising from the foregoing; and
- the impact of climate change and the COVID-19 pandemic.

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

- electricity, other energy and carbon prices;
- performance;
- business prospects (including potential re-contracting of facilities) and opportunities including expected growth and capital projects;
- status and impact of policy, legislation and regulations;
- effective tax rates;
- the development and performance of technology;
- foreign exchange rates;
- matters relating to the LLR Proceeding, including the recovery of payments and timing thereof from appropriate parties; and
- other matters discussed under the Performance Targets for 2022: Enhancing Shareholder Value section, page 16.

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

- changes in electricity, natural gas and carbon prices in markets in which the Company operates and the use of derivatives;
- regulatory and political environments including changes to environmental, climate, financial reporting, market structure and tax legislation;
- disruptions or price volatility within the Company's supply chains;
- generation facility availability, wind capacity factor and performance including maintenance expenditures;
- ability to fund current and future capital and working capital needs;
- acquisitions and developments including timing and costs of regulatory approvals and construction;
- changes in market prices and availability of fuel;
- ability to realize the anticipated benefits of acquisitions;
- limitations inherent in the Company's review of acquired assets;
- changes in general economic and competitive conditions;
- changes in the performance and cost of technologies and the development of new technologies, new energy efficient products, services and programs; and
- risks and uncertainties discussed under the Risks and Risk Management section (see page 86).

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

Assurance

In this section:

- **Independent practitioners' limited assurance report**

KPMG

Independent Practitioners' Limited Assurance Report

To management of Capital Power Corporation ("Capital Power"):

We have been engaged by the management of Capital Power to undertake a limited assurance engagement, in respect of the year ended December 31, 2021, on certain quantitative performance information disclosed in Capital Power's 2021 Integrated Annual Report (the "Report") as described below.

Subject Matter Information and Applicable Criteria

The scope of our limited assurance engagement, as agreed with management, and indicated with the symbol ☑ within the Report, comprises the following performance information (the "Subject Matter Information"):

- Greenhouse gas (GHG) intensity (tCO_2e / MWh)
- Total Scope 1 GHG emissions (tCO_2e)
- Innovation spend (million $)
- Community investment (million $)
- Total recordable injury frequency (work-related injury / 200,000 hours worked) for Corporate/Operations
- % of women by employee category

The Subject Matter Information, contained within the Report, have been determined by management on the basis of Capital Power's assessment of the material issues contributing to Capital Power's Environmental, Social and Governance ("ESG") performance and most relevant to their stakeholders.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

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

Management's responsibilities

Management is responsible for the preparation and presentation of the Subject Matter Information in accordance with the applicable criteria, current as at the date of our report.

Management is responsible for determining the appropriateness of the use of the applicable criteria.

Management is also responsible for determining Capital Power's objectives in respect of ESG performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Practitioners' responsibility and professional requirements

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

Independence, quality control and competence

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

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

Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in order to form our conclusion as set out below. Our procedures included:

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

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, those applied in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our conclusion.

Inherent limitations

Non-financial information, such as that contained in the Report, is subject to more inherent limitations than financial information, given the characteristics of significant elements of the subject matter information and the availability and relative precision of methods used for determining both qualitative and quantitative information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as well as the measurement criteria, may change over time. It is important to read Capital Power's internal reporting guidelines and definitions which can be found in the GRI Content Index and relevant footnotes in the Report

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Subject Matter Information, as described above and disclosed in the Capital Power 2021 Integrated Annual Report, has not been prepared and presented, in all material respects, in accordance with the applicable criteria, as at and for the year-ended December 31, 2021.

KPMG LLP

Chartered Professional Accountants

February 23, 2022

Edmonton, Canada

Consolidated Financial Statements of Capital Power Corporation

(In millions of Canadian dollars)
Years ended December 31, 2021 and 2020

In this section:

Management's responsibility for financial reporting

The preparation and presentation of the accompanying consolidated financial statements of Capital Power Corporation (the Company) are the responsibility of management and the consolidated financial statements have been approved by the Board of Directors. In management's opinion, the consolidated financial statements have been prepared within reasonable limits of materiality in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily requires judgment and estimation when events affecting the current year depend on determinations to be made in the future. Management has exercised careful judgment where estimates were required, and these consolidated financial statements reflect all information available to February 23, 2022. Financial information presented elsewhere in the Company's Integrated Annual Report is consistent with that in the consolidated financial statements.

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

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

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

On behalf of management,

Brian Vaasjo
President and Chief Executive Officer

Sandra Haskins
Senior Vice President, Finance and Chief Financial Officer

February 23, 2022

Consolidated financial statements contents

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Capital Power Corporation

Opinion

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

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of the fair value of level 3 derivative financial instruments

Description of the matter

We draw your attention to Note 2(j), Note 3, Note 14 and Note 29 to the financial statements. The Entity has recorded level 3 derivative financial instrument assets of $14 million and liabilities of $198 million. The estimate of fair value for level 3 derivative financial instruments contains significant unobservable inputs, including forward pricing and anticipated generation based on internally developed models.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

- We involved valuation professionals with specialized skills and knowledge to assess the appropriateness of the internally developed model for a contract entered in the year.
- To assess the appropriateness of anticipated generation used in the models for operating assets, we compared the anticipated generation predicted by the models in the prior year to the actual generation.
- To assess the appropriateness of anticipated generation used in the models for assets in development, we compared the anticipated generation predicted by the models to the actual generation of a similar operating asset.

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

- We involved valuation professionals with specialized skills and knowledge to assess the appropriateness of the forward pricing in the Entity's internally developed model for a contract entered in the year by comparing to independently derived forward pricing.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Integrated Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the "2021 Integrated Annual Report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants

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

Edmonton, Canada
February 23, 2022

Consolidated statements of income

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

Years ended December 31		2021		2020
Revenues	**$**	**1,757**	$	1,791
Other income (note 6)		**233**		146
Energy purchases and fuel (note 7)		**(667)**		(584)
Gross margin		**1,323**		1,353
Other raw materials and operating charges		**(151)**		(160)
Staff costs and employee benefits expense (note 7)		**(176)**		(171)
Depreciation and amortization (note 7)		**(539)**		(478)
Impairments, net of reversal (note 19)		**(58)**		(26)
Other administrative expense		**(114)**		(106)
Foreign exchange loss		**(9)**		–
Operating income		**276**		412
Gains on disposals and other transactions (note 5)		**36**		–
Net finance expense (note 8)		**(174)**		(197)
Income (loss) from joint venture (note 32)		**9**		(3)
Income before tax		**147**		212
Income tax expense (note 9)		**(60)**		(82)
Net income	**$**	**87**	$	130
Attributable to:				
Non-controlling interests	**$**	**(11)**	$	(6)
Shareholders of the Company	**$**	**98**	$	136
Earnings per share (attributable to common shareholders of the Company):				
Basic (note 10)	**$**	**0.39**	$	0.78
Diluted (note 10)	**$**	**0.39**	$	0.77

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive income

(In millions of Canadian dollars)

Years ended December 31		2021		2020
Net income	**$**	**87**	$	130
Other comprehensive loss:				
Items that will not be reclassified subsequently to net income:				
Defined benefit plans:				
Actuarial gains (losses)[1]		**3**		(5)
Items that are or may be reclassified subsequently to net income:				
Cash flow hedges:				
Unrealized losses on derivative instruments[2]		**(194)**		(18)
Reclassification of losses (gains) on derivative instruments to income for the year[3]		**158**		(20)
Net investment in foreign subsidiaries:				
Unrealized gains (losses)[4]		**6**		(18)
Total items that are or may be reclassified subsequently to net income, net of tax		**(30)**		(56)
Total other comprehensive loss, net of tax		**(27)**		(61)
Total comprehensive income	**$**	**60**	$	69
Attributable to:				
Non-controlling interests	**$**	**(11)**	$	(6)
Shareholders of the Company	**$**	**71**	$	75

[1] For the years ended December 31, 2021 and December 31, 2020, net of income tax expenses of $1 and income tax recoveries of $1, respectively.
[2] For the years ended December 31, 2021 and December 31, 2020, net of income tax recoveries of $61 and $2, respectively.
[3] For the years ended December 31, 2021 and December 31, 2020, net of reclassifications of income tax recoveries of $49 and income tax expenses of $8, respectively.
[4] For the years ended December 31, 2021 and December 31, 2020, net of income tax expenses of nil and $1, respectively.

See accompanying notes to the consolidated financial statements

Consolidated statements of financial position

(In millions of Canadian dollars)

At December 31	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 11)	**$ 387**	$ 367
Trade and other receivables (note 12)	**474**	499
Inventories (note 13)	**217**	220
Derivative financial instruments assets (note 14)	**108**	71
	1,186	1,157
Non-current assets:		
Other assets	**47**	37
Derivative financial instruments assets (note 14)	**222**	177
Government grant receivable (note 15)	**349**	387
Deferred tax assets (note 16)	**17**	19
Equity-accounted investments (note 32)	**145**	134
Right-of-use assets (note 17)	**120**	129
Intangible assets and goodwill (note 18)	**784**	773
Property, plant and equipment (note 19)	**6,203**	6,098
Total assets	**$ 9,073**	$ 8,911

See accompanying notes to the consolidated financial statements

Consolidated statements of financial position

(In millions of Canadian dollars)

At December 31	2021	2020
Liabilities and equity		
Current liabilities:		
Trade and other payables (note 20)	**$ 624**	$ 470
Derivative financial instruments liabilities (note 14)	**252**	91
Loans and borrowings (note 21)	**126**	417
Deferred revenue and other liabilities (note 23)	**153**	135
Provisions (note 24)	**50**	37
	1,205	1,150
Non-current liabilities:		
Derivative financial instruments liabilities (note 14)	**352**	212
Loans and borrowings (note 21)	**3,234**	3,135
Lease liabilities (note 17)	**137**	143
Deferred revenue and other liabilities (note 23)	**291**	277
Deferred tax liabilities (note 16)	**584**	601
Provisions (note 24)	**411**	464
	5,009	4,832
Equity:		
Equity attributable to shareholders of the Company		
Share capital (note 25)	**3,631**	3,465
Deficit	**(671)**	(474)
Other reserves	**(119)**	(91)
Deficit and other reserves	**(790)**	(565)
	2,841	2,900
Non-controlling interests	**18**	29
Total equity	**2,859**	2,929
Total liabilities and equity	**$ 9,073**	$ 8,911

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

Jill Gardiner
Director and Chair of the Board

Katharine Stevenson
Director and Chair of the Audit Committee

Consolidated statements of changes in equity

(In millions of Canadian dollars)

	Share capital (note 25)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial (losses) gains[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity at January 1, 2021	$ 3,465	$ (48)	$ (34)	$ (20)	$ 11	$ (474)	$ 2,900	$ 29	$ 2,929
Net income	–	–	–	–	–	98	98	(11)	87
Other comprehensive (loss) income:									
Defined benefit plan actuarial gain	–	–	–	4	–	–	4	–	4
Cash flow derivative hedge losses	–	(255)	–	–	–	–	(255)	–	(255)
Reclassification of losses to net income	–	207	–	–	–	–	207	–	207
Unrealized gains on foreign currency translation	–	–	6	–	–	–	6	–	6
Tax on items recognized directly in equity	–	12	–	(1)	–	–	11	–	11
Other comprehensive (loss) income	$ –	$ (36)	$ 6	$ 3	$ –	$ –	$ (27)	$ –	$ (27)
Total comprehensive (loss) income	–	(36)	6	3	–	98	71	(11)	60
Common share dividends (note 25)	–	–	–	–	–	(241)	(241)	–	(241)
Preferred share dividends (note 25)	–	–	–	–	–	(51)	(51)	–	(51)
Tax on preferred share dividends	–	–	–	–	–	(3)	(3)	–	(3)
Preferred share redemption	(200)	–	–	–	–	–	(200)	–	(200)
Issue of share capital	288	–	–	–	–	–	288	–	288
Share issue costs	(12)	–	–	–	–	–	(12)	–	(12)
Tax on share issue costs	3	–	–	–	–	–	3	–	3
Dividends reinvested	64	–	–	–	–	–	64	–	64
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	23	–	–	–	(2)	–	21	–	21
Equity at December 31, 2021	$ 3,631	$ (84)	$ (28)	$ (17)	$ 10	$ (671)	$ 2,841	$ 18	$ 2,859

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

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in equity

(In millions of Canadian dollars)

	Share capital (note 25)	Cash flow hedges[1]	Cumulative translation reserve[1]	Defined benefit plan actuarial losses[1]	Employee benefits reserve	Deficit	Equity attributable to shareholders of the Company	Non-controlling interests	Total
Equity at January 1, 2020	$ 3,441	$ (10)	$ (16)	$ (15)	$ 11	$ (347)	$ 3,064	$ 37	$ 3,101
Net income	–	–	–	–	–	136	136	(6)	130
Other comprehensive loss:									
Defined benefit plan actuarial loss	–	–	–	(6)	–	–	(6)	–	(6)
Cash flow derivative hedge losses	–	(20)	–	–	–	–	(20)	–	(20)
Reclassification of gains to net income	–	(28)	–	–	–	–	(28)	–	(28)
Unrealized losses on foreign currency translation	–	–	(17)	–	–	–	(17)	–	(17)
Tax on items recognized directly in equity	–	10	(1)	1	–	–	10	–	10
Other comprehensive loss	$ –	$ (38)	$ (18)	$ (5)	$ –	$ –	$ (61)	$ –	$ (61)
Total comprehensive (loss) income	–	(38)	(18)	(5)	–	136	75	(6)	69
Distributions to non-controlling interests	–	–	–	–	–	–	–	(2)	(2)
Common share dividends (note 25)	–	–	–	–	–	(209)	(209)	–	(209)
Preferred share dividends (note 25)	–	–	–	–	–	(52)	(52)	–	(52)
Tax on preferred share dividends	–	–	–	–	–	(2)	(2)	–	(2)
Dividends reinvested	15	–	–	–	–	–	15	–	15
Common shares purchased	(10)	–	–	–	–	–	(10)	–	(10)
Share-based payments	–	–	–	–	1	–	1	–	1
Share options exercised	19	–	–	–	(1)	–	18	–	18
Equity at December 31, 2020	$ 3,465	$ (48)	$ (34)	$ (20)	$ 11	$ (474)	$ 2,900	$ 29	$ 2,929

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

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(In millions of Canadian dollars)

Years ended December 31	2021	2020
Cash flows from operating activities:		
Net income	**$ 87**	$ 130
Non-cash adjustments to reconcile net income to net cash flows from operating activities:		
Impairments, net of reversal (note 19)	**58**	26
Depreciation and amortization (note 7)	**539**	478
Net finance expense (note 8)	**174**	197
Fair value changes on commodity derivative instruments and emission credits held for trading	**220**	15
Foreign exchange losses	**9**	–
Income tax expense (note 9)	**60**	82
(Income) loss from joint venture (note 32)	**(9)**	3
Recognition of government grant deferred revenue	**(126)**	(50)
Tax equity attributes (note 6)	**(88)**	(88)
Other items	**9**	13
Change in fair value of derivative instruments reflected as cash settlement	**(43)**	(14)
Distributions received from joint venture (note 32)	**11**	11
Interest paid	**(111)**	(132)
Income taxes recovered (paid)	**7**	(41)
Other cash items	**(30)**	(45)
Change in non-cash operating working capital (note 26)	**100**	26
Net cash flows from operating activities	**867**	611
Cash flows used in investing activities:		
Purchase of property, plant and equipment and other assets, net[1]	**(622)**	(318)
Business acquisitions, net of acquired cash (note 4)	**–**	(79)
Government grant received	**50**	50
Other cash flows from (used in) investing activities	**7**	(2)
Net cash flows used in investing activities	**(565)**	(349)
Cash flows used in financing activities:		
Proceeds from issue of loans and borrowings	**236**	578
Repayment of loans and borrowings	**(341)**	(444)
Issue costs on loans and borrowings	**(8)**	(9)
Repayment of lease liabilities	**(6)**	(6)
Issue of share capital (note 25)	**288**	–
Share issue costs (note 25)	**(12)**	–
Proceeds from exercise of share options	**21**	18
Common shares purchased (note 25)	**–**	(10)
Redemption of preferred shares (note 25)	**(200)**	–
Dividends paid (note 25)	**(219)**	(242)
Capitalized interest paid	**(10)**	(5)
Income taxes paid on preferred share dividends	**(21)**	(22)
Other cash flows used in financing activities	**(3)**	(4)
Net cash flows used in financing activities	**(275)**	(146)
Foreign exchange (loss) gain on cash held in a foreign currency	**(7)**	3
Net increase in cash and cash equivalents	**20**	119
Cash and cash equivalents, beginning of year	**367**	248
Cash and cash equivalents, end of year	**$ 387**	$ 367

[1] Reflects total additions for the year ended December 31, 2021, reduced by $159 million for changes in non-cash investing working capital and other non-current liabilities (2020 – increased by $12 million), to arrive at cash additions of property, plant and equipment and other assets.

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

1. Reporting entity:

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

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

2. Significant accounting policies:

(a) Basis of presentation:

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

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on February 23, 2022.

(b) Basis of consolidation:

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

The Company has a 100% interest in each of Capital Power L.P. (CPLP), Capital Power L.P. Holdings Inc., and Capital Power (US Holdings) Inc. (2020 – 100%), which are all controlled by Capital Power and are therefore treated as subsidiaries of the Company.

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

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

(c) Business combinations and goodwill:

Business combinations

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

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

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

2. Significant accounting policies, continued:

(c) Business combinations and goodwill, continued:

Goodwill

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

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

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

(d) Investments in joint arrangements:

Investments in joint operations

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

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

Investment in joint venture

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

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

(e) Foreign currency translation:

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

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

(f) Government grant:

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

2. Significant accounting policies, continued:

(f) Government grant, continued:

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

(g) Revenue recognition:

The Company's revenues from contracts with customers are disaggregated by major type of revenues and operational groupings by facility category. Major types of revenues include energy revenues and emission credit revenues. Revenues excluded from the scope of IFRS 15 – Revenue from Contracts with Customers are disclosed as revenues from other sources and consist of contracts accounted for under IFRS 16 – Leases (note 2(h)) and IFRS 9 – Financial Instruments as described in the following table. Disaggregated revenues are disclosed in note 35.

Contracts with customers by operational groupings

Operational grouping[1]	Description
Alberta commercial[3]	Power sold into energy markets on a merchant or non-contracted basis is included in energy revenues. Renewable Energy Credit (REC) sales from Halkirk Wind are also within the scope of IFRS 15 and are described in the contracts with customers table below. The Company's portfolio optimization activities and associated revenues and certain contracts to sell renewable generation and environmental attributes from solar facilities are accounted for under IFRS 9 and excluded from the scope of IFRS 15.
Western Canada contracted[3]	Power generation revenue from the Western Canada contracted facilities is sold pursuant to long-term energy supply contracts which are included in energy revenues within the scope of IFRS 15. Energy sales from Island Generation are managed under an electricity purchase agreement that is considered a lease and accounted for under IFRS 16 and excluded from the scope of IFRS 15. REC sales from Whitla Wind are also within the scope of IFRS 15 and are described in the contracts with customers table below. By-product energy sales are included in energy revenues within the scope of IFRS 15.
Ontario contracted	Power generation revenue from the Ontario contracted facilities is sold pursuant to long-term energy supply contracts which are included in energy revenues within the scope of IFRS 15.
U.S. contracted	Power generation revenue from the U.S. contracted facilities that are managed under PPAs[2] and emission credit revenues under fixed price contracts are included in energy revenues and emission credit revenues, respectively, within the scope of IFRS 15. Power generation revenues from U.S. contracted facilities that are managed under tolling agreements are leases and accounted for under IFRS 16 and excluded from the scope of IFRS 15. In addition, certain U.S. renewable facilities contain revenue swap arrangements that are accounted for under IFRS 9 which are also excluded from the scope of IFRS 15.

[1] During the first quarter of 2021, management reviewed its facility groupings as a result of the change in classification of Genesee 1 and 2 as well as internal organizational changes. To best reflect how the Company operates, commencing January 1, 2021, the British Columbia and Alberta contracted facilities will be reported together as Western Canada contracted facilities with the Ontario contracted facilities in a separate grouping. Comparative figures have been reclassified to conform to the current year's presentation within disaggregated revenues disclosed in note 35.

[2] Certain of the Company's facilities derive revenues under power purchase agreements or arrangements (PPAs).

[3] The PPAs for Genesee 1 and 2 expired on December 31, 2020 and as a result, commencing January 1, 2021, power sold by Genesee 1 and 2 into the energy market on a merchant or non-contracted basis is presented within Alberta commercial facilities. Comparative figures within disaggregated revenues disclosed in note 35 reflect energy sold on a contracted basis. These contracts were considered to be leases accounted for under IFRS 16 and excluded from the scope of IFRS 15 and disclosed as revenues from other sources.

2. Significant accounting policies, continued:

(g) Revenue recognition, continued:

Contracts with customers

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

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

At December 31, 2021 and 2020, the Company has not recorded any conditional unbilled receivables (contract assets) and has recorded customer advances and deposits (contract liabilities) related to certain joint operation recoveries within deferred revenue and other liabilities (note 23).

Derivative instruments

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

Deferred revenue

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

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

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

2. Significant accounting policies, continued:

(h) Leases or arrangements containing a lease:

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

Lessee

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

Lessor

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

(i) Non-derivative financial instruments:

Classification

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

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

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

Measurement

Financial assets and liabilities at fair value through income or loss

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

Financial assets and liabilities at amortized cost

The Company's financial assets measured at amortized cost are comprised of cash and cash equivalents, trade and other receivables, and the government grant receivable.

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

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

2. Significant accounting policies, continued:

(i) Non-derivative financial instruments, continued:

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

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

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

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

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

(j) Derivative instruments and hedging activities:

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

Classification and measurement

All changes in the fair value of derivatives are recorded in net income unless cash flow hedge accounting requirements are met and the derivative is designated as a hedge, in which case such derivatives are classified as fair value through other comprehensive income (FVTOCI). Realized gains and losses on financial energy derivatives classified as FVTOCI are recorded in revenues or energy purchases and fuel. Realized gains and losses on interest rate derivatives classified as FVTOCI are recorded in finance expense during the periods when the variability in cash flows of the hedged items affects net income or as the original hedged item settles. Realized gains and losses on foreign exchange derivatives classified as FVTOCI are recorded in foreign exchange gains or losses, or where the hedged transaction results in the recognition of net assets, those realized gains will flow through the initial carrying amount of those net assets. Unrealized gains and losses are recorded in other comprehensive income or loss. Fair values are determined in the manner described in note 3.

All derivative instruments, including embedded derivatives, are recorded at fair value on the statement of financial position as derivative financial instruments assets or derivative financial instruments liabilities except for embedded derivative instruments that are clearly and closely related to their host contract and the combined instrument is not measured at fair value. Derivative instruments are measured at FVTIL unless cash flow hedge accounting is used, in which case they are measured at FVTOCI. Embedded derivative instruments that are clearly and closely related to their host contract as noted above are never separated and are classified and measured as a combined instrument.

2. Significant accounting policies, continued:

(j) Derivative instruments and hedging activities, continued:

Any contract to buy or sell a non-financial item is not treated as a non-financial derivative if that contract was entered into and continues to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. The Company accounts separately for any embedded derivatives in any hybrid instruments issued or acquired. The Company does not account for foreign currency derivatives embedded in non-financial instrument host contracts when the currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment is that currency in which the transaction takes place.

If hedge accounting requirements are not met, unrealized and realized gains and losses on financial energy derivatives are recorded in revenues or energy purchases and fuel as appropriate, unrealized and realized gains and losses on financial interest rate derivatives are recorded in net finance expense and such gains and losses on financial foreign exchange derivatives are recorded in foreign exchange gains and losses.

Hedge accounting

The Company may use hedge accounting when there is a high degree of correlation between the risk in the item designated as being hedged (the hedged item) and the derivative instrument designated as a hedge (the hedging instrument). The Company documents all relationships between hedging instruments and hedged items at the hedge's inception, including its risk management objectives and its assessment of the effectiveness of the hedging relationship.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income (loss), while the ineffective portion is recognized in revenues, energy purchases and fuel, net finance expense or foreign exchange gain/loss as appropriate. The amounts recognized in other comprehensive income (loss) as cash flow hedging gains/losses are reclassified into net income in the same period or periods in which the hedged item occurs and is recorded in net income when it becomes probable that the hedged items will not occur. The Company has not designated any fair value hedges at the date of the statement of financial position.

A hedging relationship is discontinued when it no longer meets the risk management objective and qualifying criteria for hedge accounting. If a cash flow hedging relationship is discontinued or ceases to be effective, any cumulative gains or losses arising prior to such time are deferred in accumulated other comprehensive loss as part of cash flow hedging gains/losses and recognized in net income in the same period as the hedged item, and subsequent changes in the fair value of the derivative instrument are reflected in net income. If the hedged or hedging item matures, expires, or is sold, extinguished or terminated and the hedging item is not replaced, any gains or losses associated with the hedging item that were previously recognized in other comprehensive income (loss) are recognized in net income in the same period as the corresponding gains or losses on the hedged item.

When it is no longer probable that an anticipated transaction will occur near the originally determined period and the associated cash flow hedge has been discontinued, any remaining gains or losses associated with the hedging item that were previously recognized in other comprehensive income (loss) are recognized in net income in the period.

When the conditions for hedge accounting cannot be applied, the changes in fair value of the derivative instruments are recognized in net income. The fair value of derivative financial instruments reflects changes in the commodity market prices, interest rates and foreign exchange rates. Fair value is determined based on exchange or over-the-counter quotations by reference to bid or asking price, as appropriate, in active markets. In illiquid or inactive markets, the Company uses appropriate valuation and price modelling techniques commonly used by market participants to estimate fair value. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates using external readily observable market data such as future prices, interest rate yield curves, foreign exchange rates, discount rates for time value, and volatility where available. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material.

(k) Property, plant and equipment

Property, plant and equipment is recorded at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Capitalization

Cost includes contracted services, materials, borrowing costs on qualifying assets, direct labour, directly attributable overhead costs, development costs associated with specific property, plant and equipment and asset retirement costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. Significant accounting policies, continued:

(k) Property, plant and equipment, continued:

The cost of replacing a part of property, plant and equipment is capitalized if it is probable that the future economic benefits of the part will flow to the Company and that its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of day-to-day repairs and maintenance costs are recognized into net income as incurred.

Depreciation

Depreciation is charged to net income on a straight-line basis over the estimated useful lives of each major component of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the asset. Major components of property, plant and equipment are depreciated separately over their respective useful lives which, for our generation facilities and equipment, range from 1 to 40 years. Land and construction work in progress are not depreciated. The estimated useful lives, residual values and methods of depreciation are reviewed annually, and adjusted prospectively if appropriate.

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount at the date of disposal. Gains or losses on disposals are recognized on their own line within the consolidated statements of income while losses on retirements are recognized within depreciation and amortization.

(l) Intangible assets:

Capitalization

Intangible assets with definite lives are recorded at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Intangible assets with definite lives are generally amortized over the related assets useful lives, as described below. Refer to note 18 for additional discussion on intangible assets.

Amortization

Amortization is charged to net income on a straight-line basis to write-off the cost less the estimated residual value over the estimated remaining term of the agreement or in line with the life of the related generating facility to which it relates. Software work in progress is not amortized as the software is not available for use. Land lease rights are amortized when the related wind power assets are constructed and commissioned for service over the lives of the related wind power assets or the term of the lease, whichever is shorter. The Company's purchased emission credits held for compliance purposes are not amortized, but are expensed as the associated benefits are realized. Such emission credits have definite lives as prescribed by their respective vintage years and any emission credits not used by the end of their lives would be expensed at that time.

The periods over which intangible assets are amortized are as follows:

Contract rights	16 to 30 years
Software	5 to 10 years

Estimated useful lives, methods of amortization and residual values are reviewed annually, and adjusted prospectively if required.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized into net income as gains or losses on disposals.

(m) Development costs:

Development costs related to an acquisition or construction project are capitalized only if they can be measured reliably, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset. Other development costs not meeting these criteria are recognized in income or loss as incurred. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses.

(n) Capitalized borrowing costs:

The Company capitalizes interest during construction on its property, plant and equipment and intangible assets to reflect the costs of borrowing on its construction activities. Where project specific debt is not used to finance construction, interest is applied during construction using the weighted average cost of debt incurred on the Company's external borrowings used to finance qualifying assets. Interest is only capitalized on assets which necessarily take a significant amount of time to get ready for their intended use.

2. Significant accounting policies, continued:

(o) Impairment of assets:

Non-financial assets

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into a CGU, which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company reviews the recoverability of non-financial assets subject to depreciation or amortization (right-of-use assets, property, plant and equipment and definite life intangible assets) when events or changes in circumstances may indicate or cause the asset's carrying amount to exceed its recoverable amount. The Company reviews the recoverability of goodwill and indefinite life intangibles on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

The asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of expected future cash flows discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is determined using estimated market values utilizing actual market transactions, if available. When actual market transactions are not available, a valuation model is used.

The Company's corporate assets, such as its computer networks and infrastructure, do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Any impairment loss is recorded in net income in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is recorded as the excess of the carrying amount of the asset over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

At the end of each reporting period the Company makes an assessment as to whether there is any indication that previously incurred impairment losses no longer exist. If such an indication exists, the Company estimates the asset's recoverable amount. Any reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, after depreciation or amortization, had the original impairment loss not been recognized.

Any reversal is recognized into net income for the period. An impairment loss in respect of goodwill is not reversed.

Financial assets

The Company applies the "expected credit loss" (ECL) impairment model which applies to all financial assets. The Company considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies judgment to assess whether there is a significant increase in credit risk and considers available and reasonable forward-looking information in supporting this assessment.

The Company has applied the simplified approach to providing for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

For all other financial assets, expected allowances are recognized as 12-month ECLs unless the credit risk of a financial asset has increased significantly, in which case lifetime ECL measurement applies. The Company has identified no financial instruments for which credit risk has increased significantly since initial recognition nor financial assets that are impaired at December 31, 2021. Credit risk management procedures, including risk mitigation practices, are as described in note 30.

2. Significant accounting policies, continued:

(p) Income taxes:

Income tax expense is comprised of current and deferred tax. Current and deferred tax is recognized in net income or loss, except to the extent that it relates to a business combination, or items recognized directly in equity, other comprehensive income (loss), or in loans and borrowings.

Current income taxes

Current income taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The Company's operations are complex, and the related domestic and foreign tax interpretations, regulations, legislation and jurisprudence are continually changing. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. There are usually some tax matters in question that result in uncertain tax positions. The Company recognizes the income tax benefit of an uncertain tax position only when it is more likely than not that the ultimate determination of the tax treatment of the position will result in that benefit being realized; however, this does not mean that tax authorities cannot challenge these positions. Current income taxes also include any tax arising from dividends. Current income tax assets and liabilities are only offset if certain criteria are met.

Deferred income taxes

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the respective amounts used for taxation purposes. Deferred income taxes are not recognized for:

- Temporary differences from the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither the taxable nor the accounting income;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be used. Future taxable income is determined based on the Company's cash flow projections, which include estimates described in note 3. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable the related tax benefit will be realized; such reductions are reversed when the probability of future taxable income improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable income will be available against which they can be used.

Deferred income taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred income taxes reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

(q) Inventories:

Parts and other consumables and fuel, principally all of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value. Cost includes the purchase price, transportation costs and other costs to bring the inventories to their present location and condition. The cost of any assembled inventory includes direct labour, materials and directly attributable overhead. The costs of inventory items that are interchangeable are determined on an average cost basis. For inventory items that are not interchangeable, cost is assigned using specific identification of their individual costs. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Previous write-downs of inventories from cost to net realizable value can be fully or partially reversed if supported by economic circumstance.

2. Significant accounting policies, continued:

(r) Cash and cash equivalents:

Cash and cash equivalents include cash or highly liquid investment-grade short-term investments with original terms to maturity of three months or less, and are measured at amortized cost using the effective interest method.

(s) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The obligation is discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted. The change in discount rate due to the passage of time is recognized as a finance expense, and is recorded over the estimated time period until settlement of the obligation. Provisions are reviewed and adjusted, when required, to reflect the current best estimate at the end of each reporting period.

The Company recognizes decommissioning provisions in the period in which a legal or constructive obligation is incurred. A corresponding decommissioning cost is added to the carrying amount of the associated property, plant and equipment, and it is depreciated over the estimated useful life of the asset. Unwinding of the discount rate on the decommissioning provisions is recorded in net finance expense over the estimated useful lives of the assets.

(t) Share-based payments:

The Company operates an equity-settled, share-based compensation plan where each stock option converts into one common share. The fair value of options granted for employee services is recognized over a three-year vesting period as a compensation expense within staff costs and employee benefits expense and credited to the employee benefits reserve. The employee benefits reserve is reduced as the options are exercised and the amount initially recorded as a credit in employee benefits reserve is reclassified to share capital. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

The Company determines the fair value of stock options using a binomial option pricing model at the date of grant. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

The Company has incorporated an estimated forfeiture rate for stock options that will not vest into its determination of share-based compensation for each period.

The Company also operates share-based compensation plans for certain senior employees under a Performance Share Unit (PSU) Plan and a Restricted Share Unit (RSU) Plan. Share-based compensation for directors operates under a directors' Deferred Share Unit (DSU) Plan. The fair values of the amounts payable to employees/directors in respect of the PSU Plan, RSU Plan and the DSU Plan, which are settled in cash, are recognized as expenses with corresponding increases in liabilities, over the period that the employees/directors unconditionally become entitled to payments. The PSU Plan and RSU Plan grant date fair values are determined using a binomial lattice valuation based on a five-day weighted average price of the Company's shares immediately prior to the grant, adjusted for estimated forfeitures and discounted using the risk-free interest rate. The DSU Plan grant date fair values are determined using the five-day weighted average price of the Company's shares immediately prior to the grant. The liability is re-measured to fair value at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized in income or loss.

(u) Earnings per share:

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated on the treasury stock method, by dividing income available to common shareholders, adjusted for the effects of dilutive securities, by the weighted average number of common shares outstanding during the period and all additional common shares that would have been outstanding had all potential dilutive common shares been issued.

3. Use of judgments and estimates:

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The Company reviews its estimates and assumptions on an ongoing basis and uses the most current information available and exercises careful judgment in making these estimates and assumptions.

Critical judgments in applying accounting policies

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

Non-financial assets

The determination of CGUs was based on management's judgment and gives consideration to geographic proximity and shared risk exposure and risk management.

Identifying events or changes in circumstances that may indicate or cause an asset's carrying amount to exceed its recoverable amount requires judgment in assessing what events or circumstances would have such an impact.

Determining whether an arrangement contains a lease

The Company has exercised judgment in determining whether an arrangement contains a lease. This includes assessing whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration for each agreement that was evaluated.

As noted in note 2(h), the Company has exercised judgment in determining whether the control of its generation assets which are subject to a PPA are transferred to the contracted purchaser under the PPA, in determining whether a lease exists. Details of those PPAs are provided in note 17.

Classification of joint arrangements structured through a separate vehicle

The Company has exercised judgment in determining the classification of joint arrangements structured through separate vehicles as described in note 32.

Operating segments

As noted in note 35, the Company operates in one reportable business segment. The Company has aggregated its operating segments into one reportable business segment as its operating segments have similar products, production processes, types of customers, product distribution methods, regulatory environments and economic characteristics. Each operating segment is involved with the generation and sale of electricity, which includes the process of turning various fuel sources into electricity and managing the revenues and costs of such electricity, including engaging in trading activities. The Company's customers tend to be large industrial and commercial customers, independent system operators and government-owned or sponsored entities. Given the similar size and credit profiles of these counterparties, they are deemed to be similar types of customers. The method of distributing electricity is the same across all facilities, and none of the Company's entities are rate-regulated.

Key sources of estimation uncertainty

The main sources of estimation uncertainty in preparing the Company's consolidated financial statements relate to:

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value represents the Company's estimate of the price that could be agreed on between knowledgeable and willing parties in an orderly arm's length transaction under no compulsion to act. Fair value measurements recognized in the consolidated statements of financial position, as well as those included within note disclosures, are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs. Precedence is given to those fair value measurements calculated using observable inputs over those using unobservable inputs.

3. Use of judgments and estimates, continued:

The determination of fair value requires judgment and is based on market information where available and appropriate. The following levels were established for each input:

- Level 1: Fair value is based on quoted prices (unadjusted) in active markets for identical instruments. Assets or liabilities classified in Level 1 include highly liquid short-term investments, and traded commodities obtained from active exchanges such as the New York Mercantile Exchange whereby the Company can obtain quoted prices for identically traded commodities.
- Level 2: Fair value is based on inputs other than quoted prices included in Level 1, which are either directly or indirectly observable at the reporting date. Level 2 includes those assets or liabilities that are valued using commonly used valuation techniques, such as a discounted cash flow model or the Black-Scholes option pricing model. Valuation models use inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active but observable, and other observable inputs that are principally derived from or corroborated by observable market data for substantially the full term of the instrument.
- Level 3: Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the instrument. Level 3 includes assets or liabilities that are also valued using commonly used valuation techniques described in Level 2. However, some inputs used in the models may not be based on observable market data, but rather are based on the Company's best estimate from the perspective of a market participant.

The fair value measurement of an asset or liability is included in only one of the three levels, the determination of which is based upon the lowest level input that is significant to the derivation of the fair value. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment which will affect the placement within the fair value hierarchy levels.

Further information about the significant assumptions made in measuring certain fair values that are considered to be key sources of estimation uncertainty is included in the following notes:

- Note 4 – Acquisition of Buckthorn Wind;
- Notes 14 and 29 – Financial instruments;
- Note 19 – Property, Plant and Equipment; and
- Note 24 – Provisions.

Depreciation and amortization

Depreciation and amortization allocate the cost of assets and their components over their estimated useful lives on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of the life characteristics of common assets. During 2021 and 2020, management assessed the major components of existing and acquired property, plant and equipment in the respective years (see note 4) and estimated the useful lives of the respective components consistent with the Company's estimated useful lives for existing major components of similar generation facilities and equipment.

In December 2020, the Company announced its plan to repower Genesee 1 and 2 and be off coal in 2023. Accordingly, the Company prospectively adjusted the useful lives of its coal-fired assets from 2029 to 2023 to reflect the shortened useful lives and extended the useful lives of certain natural gas components by approximately 21 years.

Income taxes

Income taxes are determined based on estimates of the Company's current income taxes and estimates of deferred income taxes resulting from temporary tax differences. Deferred income tax assets are assessed to determine the likelihood that they will be realized from future taxable income. Details of tax losses expected to be utilized and the basis of utilization are provided in note 16.

4. Acquisition of Buckthorn Wind:

On April 1, 2020, the Company acquired a 100% ownership interest in Buckthorn Wind, a 101 megawatt (MW) wind facility in Texas, from co-sellers John Laing Investments and Clearway Renew LLC, a subsidiary of Clearway Energy Group LLC. The purchase price consisted of (i) $84 million (US$60 million) in total cash consideration, including working capital and other closing adjustments, (ii) the assumption of tax-equity financing of $95 million (US$68 million) and (iii) contingent consideration valued at nil. Contingent consideration, to a maximum of US$8 million, would become payable in the future if certain market outcomes lead to Buckthorn Wind exceeding agreed-upon thresholds. At the acquisition date, the Company considered the likelihood of contingent consideration payment to be low, resulting in no value being ascribed to the contingent consideration in the purchase price allocation. The acquisition was accounted for as a business combination.

This acquisition supports the Company's growth strategy with long-term contracts strengthening the Company's contracted cash flow profile, while also expanding its renewables portfolio.

The allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated fair values was as follows:

	April 1, 2020
Cash and cash equivalents	$ 5
Trade and other receivables	1
Derivative financial instrument assets[1,2]	48
Right-of-use assets	7
Property, plant and equipment	171
Trade and other payables	(2)
Loans and borrowings[1]	(95)
Lease liabilities[1]	(7)
Provisions	(6)
Deferred revenue and other liabilities[1]	(3)
Deferred tax liabilities	(35)
Fair value of net assets acquired	$ 84

[1] Includes current portion.

[2] The balance consists of $4 million classified in Level 2 and $44 million in Level 3 of the fair value hierarchy.

Buckthorn Wind has the following revenue swap arrangements (see note 29 for details on the fair value of these derivative financial instruments):

- Offtake swap: The offtake swap is a 20-year contract with an investment grade counterparty which covers 55% of the facility's output. Under this contract the Company will swap the market revenue and environmental attributes associated with the contract quantity for a fixed price per megawatt hour (MWh). There were 18 years remaining on this contract as of the acquisition date.
- Commodity swap: The commodity swap is a 13-year contract with an investment grade counterparty, with a fixed notional quantity equal to 45% of the long-term average forecasted annual production. Under this contract, the Company will swap the market revenue associated with the fixed notional quantity for a fixed price per MWh. There were 11 years remaining on this contract as of the acquisition date.

The tax-equity financing related to Buckthorn Wind represents the initial equity investment made by the project investor, adjusted for earnings, tax benefits and cash distributions paid to date. The maturity date of this obligation is subject to change and is driven by the dates on which the project investor reaches the agreed-upon target rate of return (note 21).

The results of operations of Buckthorn Wind are included in the Company's consolidated statements of income and statements of changes in equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the consolidated statements of financial position. For the year ended December 31, 2020, and since the acquisition date, the consolidated statements of income reflect losses of $2 million recorded in revenues (net of unrealized mark to market losses on derivative financial instruments), $9 million of other income and $8 million of net loss related to Buckthorn Wind.

4. Acquisition of Buckthorn Wind, continued:

Had the acquisition occurred at January 1, 2020, the combined entity of the Company and Buckthorn Wind would have had a total of $1,784 million of revenues, $151 million of other income and $124 million of net income for the year ended December 31, 2020.

In conjunction with the acquisition of Buckthorn Wind, for the year ended December 31, 2020, the Company incurred $1 million in acquisition costs which were recorded on the Company's consolidated statements of income as other administrative expenses.

5. Gains on disposals and other transactions:

Year ended December 31		2021		2020
Insurance recoveries net of related expenses[1]	**$**	**23**	$	–
Net gains on decommissioning of facilities[2]		**7**		–
Other gains on disposals		**6**		–
Total gains on disposals and other transactions	**$**	**36**	$	–

[1] In July 2021, Genesee 2 experienced a forced outage due to a generator failure. Genesee 2 was repaired and returned to service in early December 2021. The amount reflected here for the year ended December 31, 2021 includes insurance recoveries of $35 million less $6 million of expenses incurred related to the outage and a loss on disposal of the damaged equipment of $6 million written off from property, plant and equipment. These insurance recoveries reflect both the expensed costs noted above and capitalized costs incurred to repair Genesee 2 (recorded within property, plant and equipment), net of the deductible amount under the insurance contract. In the fourth quarter of 2021, $21 million of these insurance recoveries were received with the remaining $14 million accrued as trade and other receivables at December 31, 2021.

Additionally, business interruption insurance recoveries of $11 million were accrued within other income (see note 6) for the year ended December 31, 2021.

[2] In March 2021, the Southport and Roxboro facilities ceased operations and have since commenced decommissioning. The net gains above reflect lower decommissioning costs than what the Company previously established as provisions net of inventory write-offs (see note 13).

6. Other income:

Year ended December 31		2021		2020
Contributions and grants	**$**	**7**	$	6
Government compensation (note 15)		**126**		50
Production tax credits		**61**		61
Other Tax Equity Investment tax attributes		**27**		27
Other		**12**		2
Other income	**$**	**233**	$	146

7. Expenses:

Year ended December 31		2021		2020
Included in energy purchases and fuel				
Recovery of flow-through expenses related to the Genesee 1 and 2 PPAs	**$**	**–**	$	(108)
Included in staff costs and employee benefits expense				
Share based payments (note 28)		**16**		9
Post-employment defined contribution plan expense		**8**		8
Post-employment defined benefit plan expense		**3**		3
		27		20
Included in depreciation and amortization				
Depreciation of property, plant and equipment (note 19)		**445**		383
Amortization of intangible assets (note 18)		**80**		81
Depreciation of right-of-use assets (note 17)		**9**		9
Other		**5**		5
	$	**539**	$	478

8. Net finance expense:

Year ended December 31		2021		2020
Interest expense				
Interest on loans and borrowings	**$**	**142**	$	165
Capitalized interest		**(10)**		(5)
Total interest expense		**132**		160
Other finance expense				
Accretion on decommissioning provisions (note 24)		**5**		5
Interest on lease liabilities		**8**		6
Accretion on deferred government grant revenue		**36**		17
Interest on long-term government grant receivable		**(13)**		(14)
Other		**6**		23
Net finance expense	**$**	**174**	$	197

9. Income tax expense:

Year ended December 31	2021	2020
Current income tax		
Current income tax expense	**$ 60**	$ 17
Adjustments for prior periods	**–**	1
Total current income tax expense	**60**	18
Deferred income tax		
Origination and reversal of temporary differences	**23**	64
Recognition of previously unrecognized tax benefits	**(21)**	(2)
Change in write-downs of deferred tax assets	**(2)**	2
Total deferred income tax expense	**–**	64
Income tax expense	**$ 60**	$ 82

Reconciliation of effective income tax rate

Year ended December 31	2021	2020
Income before tax	**$ 147**	$ 212
Income tax at the statutory rate of 23% (2020 – 24%)[1]	**34**	51
Increase (decrease) resulting from:		
Amounts attributable to non-controlling interests and tax-equity interests	**21**	20
Change in unrecognized tax benefits	**(2)**	2
Non-deductible (taxable) amounts	**7**	(2)
Adjustments for prior periods	**–**	(2)
Statutory and other rate differences[1]	**(2)**	10
Other	**2**	3
Income tax expense	**$ 60**	$ 82

[1] On June 29, 2020, the Alberta Government accelerated the remaining tax rate reduction and decreased the Alberta corporate income tax rate to 8% effective July 1, 2020. As a result, the 2020 statutory tax rate is 24% and decreased to 23% for 2021 and onwards. Even though the Alberta corporate income tax rate decrease was accelerated, no further significant remeasurement of the Canadian deferred tax assets and liabilities was recognized.

10. Earnings per share:

The earnings and weighted average number of common shares used in the calculation of basic and diluted earnings per share are as follows:

Year ended December 31	2021	2020
Income for the period attributable to shareholders	**$ 98**	$ 136
Preferred share dividends[1]	**(54)**	(54)
Earnings available to common shareholders	**$ 44**	$ 82
Weighted average number of common shares	**112,054,541**	105,302,806
Basic earnings per share	**$ 0.39**	$ 0.78
Weighted average number of common shares	**112,054,541**	105,302,806
Effect of dilutive share purchase options	**752,885**	550,568
Diluted weighted average number of common shares	**112,807,426**	105,853,374
Diluted earnings per share	**$ 0.39**	$ 0.77

[1] Includes preferred share dividends declared and related taxes.

11. Cash and cash equivalents:

At December 31		2021		2020
Cash on deposit	**$**	**218**	$	67
Cash equivalents		**169**		300
	$	**387**	$	367

Included in the Company's cash and cash equivalents is its proportionate share of its rights to cash and cash equivalents, which are restricted to use within its joint operations and tax-equity interests of $17 million (2020 – $24 million).

12. Trade and other receivables:

At December 31		2021		2020
Accrued revenues	**$**	**308**	$	330
Trade receivables		**62**		50
Net trade receivables[1]		**370**		380
Government grant receivable (note 15)		**55**		54
Income taxes recoverable		**7**		29
Prepayments		**42**		36
	$	**474**	$	499

[1] At December 31, 2021, includes no amounts (2020 – $83 million) related to the Line Loss Rule Proceeding as described in note 33(c) and the amount in dispute with the Balancing Pool of approximately $25 million has been recorded in other assets.

Details of the aging of trade receivables and analysis of the movement on the allowance for doubtful accounts are provided in note 30.

13. Inventories:

At December 31		2021		2020
Parts and other consumables	**$**	**144**	$	157
Emission credits		**51**		49
Fuel		**22**		14
	$	**217**	$	220

Inventories expensed upon usage for the year ended December 31, 2021 of $115 million (2020 – $156 million) were charged to energy purchases and fuel, and other raw materials and operating charges. Emission credits held for trading are carried at fair value as estimated by quoted market prices available as of the valuation date. Details of the valuation techniques used in determining the fair values are described in note 14. There were inventory write-downs of $10 million recognized (including $8 million (US$7 million) related to the decommissioning of Southport and Roxboro – see note 5) in the year ended December 31, 2021 (2020 – $1 million). There were no reversals of previous write-downs recognized in the year ended December 31, 2021 (2020 – nil). At December 31, 2021, no inventories were pledged as security for liabilities (2020 – nil).

14. Derivative financial instruments and hedge accounting:

Derivative instruments assets and liabilities are primarily used for risk management purposes as described in note 30 and consist of the following:

	December 31, 2021				
	Energy and emission allowances		Interest rate		
	Cash flow hedges	Non-hedges	Cash flow hedges	Non-hedges	Total
Derivative instruments assets:					
Current	$ 5	$ 94	$ –	$ 9	$ 108
Non-current	2	210	10	–	222
Derivative instruments liabilities:					
Current	(72)	(149)	(31)	–	(252)
Non-current	(21)	(290)	(40)	(1)	(352)
Net fair value	$ (86)	$ (135)	$ (61)	$ 8	$ (274)
Net notional buys (sells) (millions):					
Megawatt hours of electricity	(5)	(26)			
Gigajoules of natural gas purchased[1]		129			
Gigajoules of natural gas basis swaps[1]		128			
Number of renewable energy credits		(8)			
Interest rate swaps			$ 1,501	$ 80	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 25.1	0.7 to 5.1	1.4 to 1.9	

[1] The Company's natural gas trading strategy employs future purchase derivative instruments as well as basis swaps pertaining to certain of the future purchase derivative instruments, to manage its exposure to commodity price risk.

	December 31, 2020					
	Energy and emission allowances		Interest rate		Foreign exchange cash flow hedges	
	Cash flow hedges	Non-hedges	Cash flow hedges	Non-hedges		Total
Derivative instruments assets:						
Current	$ 1	$ 65	$ 5	$ –	$ –	$ 71
Non-current	1	173	3	–	–	177
Derivative instruments liabilities:						
Current	(13)	(39)	(23)	(1)	(15)	(91)
Non-current	(18)	(120)	(74)	–	–	(212)
Net fair value	$ (29)	$ 79	$ (89)	$ (1)	$ (15)	$ (55)
Net notional buys (sells) (millions):						
Megawatt hours of electricity	(5)	(20)				
Gigajoules of natural gas purchased[2]		195				
Gigajoules of natural gas basis swaps[2]		197				
Metric tonnes of emission allowances		1				
Number of renewable energy credits		(6)				
Interest rate swaps			$ 1,001	$ 260		
Interest rate swaps (U.S. dollars)			$ 180			
Forward currency buys (U.S. dollars)					$ 94	
Range of remaining contract terms in years	0.1 to 4.0	0.1 to 17.0	0.5 to 6.1	0.9 to 1.7	0.3 to 1.0	

[2] The Company's natural gas trading strategy employs future purchase derivative instruments as well as basis swaps pertaining to certain of the future purchase derivative instruments, to manage its exposure to commodity price risk.

14. Derivative financial instruments and hedge accounting, continued:

Fair values of derivative instruments are determined, when possible, using exchange or over-the-counter price quotations by reference to quoted bid, ask or closing market prices dependent on which is most representative of fair value in the circumstances, in the principal market for that instrument. The extent to which fair values of derivative instruments are based on observable market data is determined by the extent to which the market for the underlying commodity is judged to be active. When traded markets are not considered to be sufficiently active or do not exist, the Company uses appropriate valuation and price modelling techniques commonly used by market participants to estimate fair value. The Company may also rely on price forecasts prepared by third-party market experts to estimate fair value when there are limited observable prices available. Fair values determined using valuation models require the use of assumptions concerning the amounts and timing of future cash flows. Fair value amounts reflect management's best estimates and maximize, when available, the use of external readily observable market data including future prices, interest rate yield curves, foreign exchange rates, quoted Canadian dollar swap rates, counterparty credit risk, the Company's own credit risk and volatility. When a valuation technique utilizes unobservable market data, no inception gains or losses are recognized, until inputs become observable. It is possible that the assumptions used in establishing fair value amounts will differ from future outcomes and the impact of such variations could be material. At December 31, 2021 and 2020, the Company classified financial instruments under Level 2 and Level 3 of the fair value hierarchy described in note 3.

Unrealized and realized pre tax gains and losses on derivative instruments recognized in other comprehensive loss and net income were:

	2021		2020	
	Unrealized (losses) gains	**Realized (losses) gains**	Unrealized losses	Realized gains (losses)
Energy cash flow hedges	**$ (88)**	**$ (201)**	$ (10)	$ 34
Energy and emission allowances non-hedges	**(224)**	**6**	(14)	46
Interest rate cash flow hedges[3]	**25**	**(6)**	(23)	(6)
Interest rate non-hedges	**9**	**–**	(3)	(5)
Foreign exchange cash flow hedges	**15**	**–**	(15)	–
Foreign exchange non-hedges	**–**	**(2)**	–	1

[3] Includes the settlement of interest rate cash flow hedges of US$180 million in June 2021 for a gain of $14 million of which $12 million was deferred within accumulated other comprehensive loss to be reclassified to net income in future periods within the associated net finance expense pertaining to the hedged note offering.

The following realized and unrealized gains and (losses) on derivative financial instruments are included in the Company's statements of income for the years ended December 31, 2021 and 2020:

	2021	2020
Revenues	**$ (840)**	$ 38
Energy purchases and fuel	**421**	28
Foreign exchange (loss) gain	**(2)**	1
Net finance expense	**3**	(14)

The Company has elected to apply hedge accounting on certain derivatives it uses to manage commodity price risk relating to electricity prices, interest rate risk relating to future borrowings and foreign exchange risk relating to future capital investment in U.S. dollars. For the year ended December 31, 2021, $2 million of gains were realized within net finance expense pertaining to the ineffective portion of hedging derivatives (2020 – nil).

Net after tax gains and (losses) related to derivative instruments designated as energy and interest rate cash flow hedges are expected to settle and be reclassified to net income in the following periods:

At December 31	2021
Within one year	**$ (78)**
Between one and five years	**(18)**
After five years	**1**
	$ (95)

15. Government compensation:

In 2016, the Company reached an agreement with the Government of Alberta (GoA) related to the 2030 phase-out of coal-fired generation. As compensation for the capital that the Company invested in coal generating assets that would be stranded effective December 31, 2030, the Company was to receive cash payments from the Province of $52 million annually for 14 years, commencing July 31, 2017, for a total of $734 million. This future compensation stream has been recognized as a government grant, recorded within deferred revenue and other liabilities and is being recognized into net income over the useful lives of the related coal-fired generation assets. Additionally, the compensation to be received has been recognized as a government grant receivable which will be drawn down as cash payments are received.

The amount recorded within deferred revenue and other liabilities was originally being recognized into net income through 2030 and was subsequently updated to reflect the change in mandated phase-out of coal-fired generation by December 31, 2029. In December 2020, the Company announced plans to be off-coal in 2023 which further shortened the useful lives of its coal-fired assets from 2029 to 2023 and adjusted the recognition of the government grant deferred revenue to align with the depreciation of the coal-fired assets.

The GoA conducted an audit on the calculation of net book values driving the compensation payments and has withheld approximately $2.7 million from each of the payments from 2017 through 2021. The Company is disputing the withholding but has reduced the amounts recorded related to the compensation stream to reflect the uncertainty around the withheld portion of the payments. This has resulted in a reduction of $1.5 million to the government compensation amount recorded in other income for each of the corresponding years from 2017 through 2021. The respective deferred revenue and government grant receivable amounts were likewise adjusted to reflect total payments over the 14-year term of $712 million.

The conditions on the government grant include the Company agreeing to cease coal-fired emissions on or before December 31, 2030 and the Company continuing to participate in and make a minimum annual investment of $1 million in the Alberta electricity market, with a minimum total investment in the Alberta electricity market of $70 million by the end of 2030. By 2019, the Company well exceeded the total required investment with its investment in the first phase of Whitla Wind and continues to invest in Alberta with the repowering of Genesee 1 and 2 and other renewable projects under construction (see note 33(a)). Additional conditions include the Company supporting the local communities surrounding the coal facilities through 2030, and fulfilling its pension and other commitments to employees.

16. Deferred tax:

Movement of deferred tax balances

	At January 1, 2021	Recognized in net income	Recognized directly in other comprehensive income	Amounts relating to acquisitions and disposals	Recognized directly in equity	At December 31, 2021	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 67	$ (9)	$ –	$ –	$ –	$ 58	$ 58	$ –
Property, plant and equipment	(699)	(67)	–	2	–	(764)	–	(764)
Intangible assets	(65)	7	–	–	–	(58)	37	(95)
Deferred partnership (income) losses	(35)	42	–	–	–	7	7	–
Derivative financial instruments	6	56	13	–	–	75	160	(85)
Share issue costs and deferred financing charges	3	–	–	–	1	4	4	–
Deferred revenue and other liabilities	115	(25)	–	–	–	90	90	–
Right-of-use assets	(28)	1	–	–	–	(27)	–	(27)
Government grant receivable	(104)	9	–	–	–	(95)	–	(95)
Other financial assets	(3)	3	–	–	–	–	–	–
Decommissioning provisions	101	(13)	–	–	–	88	88	–
Goodwill	8	(1)	–	–	–	7	7	–
Prepaid reclamation amounts	(15)	1	–	–	–	(14)	–	(14)
Other provisions	15	2	(1)	–	–	16	16	–
Loans and borrowings	9	(5)	–	–	–	4	5	(1)
Other assets	6	(4)	–	–	–	2	2	–
Trade and other receivables	–	3	–	–	–	3	3	–
Trade and other payables	–	1	–	–	–	1	1	–
Lease liabilities	37	(1)	–	–	–	36	36	–
Deferred tax (liabilities) assets	$ (582)	$ –	$ 12	$ 2	$ 1	$ (567)	$ 514	$ (1,081)
Set-off of tax						–	(497)	497
Net deferred tax (liabilities) assets						$ (567)	$ 17	$ (584)

16. Deferred tax, continued:

Movement of deferred tax balances, continued:

	At January 1, 2020	Recognized in net income	Recognized directly in other comprehensive income	Amounts relating to acquisitions and disposals	Recognized directly in equity	At December 31, 2020	Deferred tax assets	Deferred tax liabilities
Losses carried forward	$ 51	$ 22	$ (1)	$ –	$ (5)	$ 67	$ 67	$ –
Property, plant and equipment	(645)	(34)	6	(26)	–	(699)	–	(699)
Intangible assets	(71)	7	(1)	–	–	(65)	42	(107)
Deferred partnership losses (income)	40	(75)	–	–	–	(35)	–	(35)
Derivative financial instruments	10	(2)	11	(13)	–	6	69	(63)
Share issue costs and deferred financing charges	4	–	–	–	(1)	3	3	–
Deferred revenue and other liabilities	119	(3)	(1)	–	–	115	115	–
Right-of-use assets	(21)	(5)	–	(2)	–	(28)	–	(28)
Government grant receivable	(112)	8	–	–	–	(104)	–	(104)
Other financial assets	(3)	1	(1)	–	–	(3)	–	(3)
Decommissioning provisions	83	17	(1)	2	–	101	101	–
Goodwill	8	–	–	–	–	8	8	–
Prepaid reclamation amounts	(15)	–	–	–	–	(15)	–	(15)
Other provisions	20	(6)	1	–	–	15	15	–
Loans and borrowings	11	(2)	–	–	–	9	9	–
Other assets	6	–	–	–	–	6	6	–
Trade and other receivables	1	(1)	–	–	–	–	–	–
Lease liabilities	26	9	–	2	–	37	37	–
Deferred tax (liabilities) assets	$ (488)	$ (64)	$ 13	$ (37)	$ (6)	$ (582)	$ 472	$ (1,054)
Set-off of tax						–	(453)	453
Net deferred tax (liabilities) assets						$ (582)	$ 19	$ (601)

Unrecognized deferred tax assets

Deferred tax assets have not been recognized on the following items:

At December 31	2021	2020
Non-capital losses	**$ 59**	$ 148
Deductible temporary differences with no expiry	**60**	87
	119	235

16. Deferred tax, continued:

Tax losses carried forward

	2021		2020	
	Tax losses	**Expiry dates**	Tax losses	Expiry dates
Unrecognized tax losses carried forward	**$ 59**	**2031–2041**	$ 148	2028–2040

At December 31, 2021, the Company has non-capital losses carried forward of $325 million (2020 – $445 million), of which $304 million (US$240 million) (2020 – $220 million (US$172 million)) relates to U.S. subsidiaries. The Company determined that it is probable that there is sufficient future taxable income that would be available to utilize the non-capital losses carried forward that have been recognized.

17. Leases:

Lessee – right-of-use assets

	Land	Offices	Equipment	Total
At January 1, 2020	$ 39	$ 25	$ 31	$ 95
Additions	46	2	–	48
Depreciation	(3)	(3)	(3)	(9)
Foreign currency translation adjustments	(5)	–	–	(5)
At December 31, 2020	$ 77	$ 24	$ 28	$ 129
Additions	**3**	**–**	**1**	**4**
Other adjustments	**(3)**	**–**	**–**	**(3)**
Depreciation	**(3)**	**(3)**	**(3)**	**(9)**
Foreign currency translation adjustments	**(1)**	**–**	**–**	**(1)**
At December 31, 2021	**$ 73**	**$ 21**	**$ 26**	**$ 120**

Lessee – lease liabilities

The following table presents amounts recognized in the consolidated statements of income:

Year ended December 31,	2021	2020
Income from rental and sub-leasing	**$ 1**	$ 1
Interest on lease liabilities	**(8)**	(6)
Variable lease payments not included in the measurement of lease liabilities	**(6)**	(7)

At December 31, 2021, expenses related to short-term and low-value leases was $1 million (2020 – nil).

Lessor – facilities under operating leases

The Island Generation, Decatur Energy and Arlington Valley power generation facilities are accounted for as assets under operating leases. The Genesee 1 and 2 PPAs were accounted for as assets under operating leases through to the end of the PPAs on December 31, 2020.

At December 31, 2021, the cost of such property, plant and equipment was $1,041 million (December 31, 2020 – $2,065 million including Genesee 1 and 2 of $970 million), less accumulated depreciation of $273 million (December 31, 2020 – $612 million including Genesee 1 and 2 of $374 million).

17. Leases, continued:

Lessor – facilities under operating leases, continued:

The minimum future rental payments to be received on these PPAs are:

At December 31	2021
2022	$ 123
2023	111
2024	105
2025	105
2026	118
Thereafter	674
Total	$ 1,236

18. Intangible assets and goodwill:

	Intangible work in progress	PPAs	Contract rights	Other rights	Emission credits	Software	Goodwill	Total
Cost								
At January 1, 2020	$ 21	$ 604	$ 60	$ 124	$ 25	$ 53	$ 35	$ 922
Additions	20	–	–	2	35	–	–	57
Additions into service	(20)	–	7	10	–	3	–	–
Retirements and other disposals	(1)	(3)	–	–	(6)	–	–	(10)
Other	–	(2)	(1)	1	13	–	–	11
At December 31, 2020	$ 20	$ 599	$ 66	$ 137	$ 67	$ 56	$ 35	$ 980
Additions	**17**	**–**	**–**	**25**	**66**	**–**	**–**	**108**
Additions into service	**(32)**	**–**	**16**	**5**	**–**	**11**	**–**	**–**
Retirements and other disposals	**–**	**–**	**–**	**–**	**(3)**	**–**	**–**	**(3)**
Other	**(2)**	**–**	**–**	**(9)**	**(3)**	**–**	**–**	**(14)**
At December 31, 2021	**$ 3**	**$ 599**	**$ 82**	**$ 158**	**$ 127**	**$ 67**	**$ 35**	**$ 1,071**
Accumulated amortization								
At January 1, 2020	$ –	$ (58)	$ (16)	$ (18)	$ –	$ (35)	$ –	$ (127)
Amortization (note 7)	–	(69)	(3)	(4)	–	(5)	–	(81)
Other	–	1	–	–	–	–	–	1
At December 31, 2020	$ –	$ (126)	$ (19)	$ (22)	$ –	$ (40)	$ –	$ (207)
Amortization (note 7)	**–**	**(66)**	**(4)**	**(5)**	**–**	**(5)**	**–**	**(80)**
At December 31, 2021	**$ –**	**$ (192)**	**$ (23)**	**$ (27)**	**$ –**	**$ (45)**	**$ –**	**$ (287)**
Net book value								
At January 1, 2020	$ 21	$ 546	$ 44	$ 106	$ 25	$ 18	$ 35	$ 795
At December 31, 2020	$ 20	$ 473	$ 47	$ 115	$ 67	$ 16	$ 35	$ 773
At December 31, 2021	**$ 3**	**$ 407**	**$ 59**	**$ 131**	**$ 127**	**$ 22**	**$ 35**	**$ 784**

Contract rights include acquired management and operations agreements and an agreement whereby the Company sells RECs produced by Halkirk Wind to a third party.

Other rights include the cost of land lease agreements for use in wind and solar power projects, and pipeline access rights relating to Arlington Valley.

18. Intangible assets and goodwill, continued:

Goodwill impairment testing

As part of the Company's annual impairment testing, the East Windsor CGU, which contains all of the Company's goodwill, was tested for impairment and the carrying amount of the East Windsor CGU was less than its estimated recoverable amount for both the 2021 and 2020 annual impairment tests. As such, no impairments were required for the East Windsor CGU.

Capitalized borrowing costs

Borrowing costs were not capitalized on intangible assets during the years ended December 31, 2021 and 2020.

Restrictions on assets

There are no charges over the Company's intangible assets.

19. Property, plant and equipment:

	Construction work in progress	Land	Plant and equipment	Total
Cost				
At January 1, 2020	$ 350	$ 151	$ 7,262	$ 7,763
Additions	236	–	16	252
Additions into service	(394)	–	394	–
Retirements and other disposals	(5)	(1)	(9)	(15)
Acquisition of Buckthorn Wind (note 4)	–	–	181	181
Impairments	(26)	–	–	(26)
Revisions to decommissioning costs (note 24)	–	–	42	42
Foreign currency translation adjustments	7	–	(67)	(60)
At December 31, 2020	$ 168	$ 150	$ 7,819	$ 8,137
Additions	**667**	**–**	**19**	**686**
Additions into service	**(421)**	**1**	**420**	**–**
Retirements and other disposals	**(6)**	**(4)**	**(299)**	**(309)**
Impairments	**(6)**	**–**	**(51)**	**(57)**
Revisions to decommissioning costs (note 24)	**–**	**–**	**(46)**	**(46)**
Foreign currency translation adjustments	**(11)**	**–**	**(4)**	**(15)**
Other	**5**	**–**	**(12)**	**(7)**
At December 31, 2021	**$ 396**	**$ 147**	**$ 7,846**	**$ 8,389**
Accumulated depreciation				
At January 1, 2020	$ –	$ –	$ (1,674)	$ (1,674)
Depreciation (note 7)	–	–	(383)	(383)
Retirements and other disposals	–	–	9	9
Foreign currency translation adjustments	–	–	9	9
At December 31, 2020	$ –	$ –	$ (2,039)	$ (2,039)
Depreciation (note 7)	**–**	**–**	**(445)**	**(445)**
Retirements and other disposals	**–**	**–**	**295**	**295**
Foreign currency translation adjustments	**–**	**–**	**3**	**3**
At December 31, 2021	**$ –**	**$ –**	**$ (2,186)**	**$ (2,186)**
Net book value				
At January 1, 2020	$ 350	$ 151	$ 5,588	$ 6,089
At December 31, 2020	$ 168	$ 150	$ 5,780	$ 6,098
At December 31, 2021	**$ 396**	**$ 147**	**$ 5,660**	**$ 6,203**

19. Property, plant and equipment, continued:

Island Generation impairment

In October 2021, the B.C. government released its CleanBC plan indicating it intends to phase out all natural gas generation by 2030 resulting in a change in useful life for the Island Generation facility. In December 2021, BC Hydro released its final 2021 Integrated Resource Plan (IRP), which excluded Island Generation. These events were indicators for the Company to test the Island Generation CGU for impairment in the fourth quarter of 2021.

The carrying amount of the Island Generation CGU was above its estimated recoverable amount of $43 million and a pre-tax impairment of $52 million was recorded to reduce the carrying amount of the Island Generation CGU, comprising $51 million from property, plant and equipment and $1 million from intangible assets (note 18).

Key assumptions – recoverable amount

The Island Generation CGU was tested for impairment using the discounted cash flow method to calculate fair value less costs of disposal. The fair value measurement of the Island Generation CGU is categorized in Level 3 of the fair value hierarchy, as described in note 3, based on the inputs to the valuation model described below. The recoverable amount is sensitive to several key assumptions, specifically assumptions around a potential contract renewal.

Despite the final IRP announcement, the Company continues to believe the Island Generation facility is needed to ensure secure and reliable electricity supply for homes and businesses on Vancouver Island and in Metro Vancouver. In response to issues with the submarine cable between Vancouver Island and the mainland, BC Hydro has initiated further discussions with the Company to determine if Island Generation can provide economic backup capacity while repairs are undertaken over the next two to four years and negotiations are ongoing with BC Hydro for the potential renewal of the energy purchase agreement (EPA) set to expire in 2022.

The Company's cash flow projections for impairment testing purposes assume renewal of the EPA for a four-year term, at pricing terms within the range of potential outcomes based on initial renewal discussions. If negotiations result in a term and/or pricing that differ materially from the assumptions included in the Company's assessment of recoverable amount, an additional impairment or an impairment reversal could be required in future periods.

Other impairments

During the years ended December 31, 2021 and 2020, the Company recognized other impairments of property plant and equipment of $6 million and $26 million, respectively, pertaining to the following capital projects:

- Genesee 4 and 5 project: During the first quarter of 2020, the Company and its partner on the Genesee 4 and 5 project determined that they would no longer be pursuing the project. As a result, $13 million of capital expenditures incurred by the Company that were purely related to the development of Genesee 4 and 5 were recognized as an impairment in the first quarter of 2020. During the third quarter of 2021, a settlement was reached concerning the costs of exiting the series of previously executed agreements and the Company recognized an additional impairment, net of reversal, of $6 million on the Company's consolidated statements of income related to the assets acquired upon settlement.
- Genesee 1 and 2 dual-fuel project: In December 2020, the Company announced that, subject to successful permitting and regulatory approvals, it is proceeding with the repowering of Genesee 1 and 2 as described in note 33(a). As a result of this announcement, the Company will no longer pursue the Genesee 1 and 2 dual-fuel project. Accordingly, the Company recorded an impairment of $13 million, in 2020, of construction work in progress related to the termination of this project.

In 2020, Impairment testing was also completed on the Alberta CGU as a result of the prolonged nature of COVID-19 and oil pricing impacts, and the carrying amount of the Alberta CGU was less than its estimated recoverable amount. As such, no impairments were required for the Alberta CGU. There were no other indicators to test non-financial assets for impairment during 2021 and 2020.

19. Property, plant and equipment, continued:

Capitalized borrowing costs

Details of borrowing costs capitalized as part of property, plant and equipment are provided in note 8. The average borrowing rate used to capitalize interest during the year was 4.13% (2020 – 4.25%) for projects financed using general borrowings. For the years ended December 31, 2021 and 2020, there were no projects financed using specific borrowings that were included as part of property, plant and equipment.

Restrictions on assets

Details of charges over land, plant and equipment are provided in note 21.

20. Trade and other payables:

At December 31		2021		2020
Operating accruals[1,2]	**$**	**436**	$	308
Trade payables[1]		**69**		78
Dividends payable		**64**		54
Accrued interest		**24**		23
Taxes payable		**31**		7
	$	**624**	$	470

[1] At December 31, 2021, includes no amounts (2020 – $92 million) related to the Line Loss Rule Proceeding as described in note 33(c).

[2] As part of its collateral requirements, the Company maintains brokerage margin accounts which are held with specific exchange counterparties and fluctuate daily between negative and positive positions based on fair value changes of certain unsettled derivative financial instruments outstanding as well as the timing of cash deposits and withdrawals made by the Company. At December 31, 2021, the brokerage margin is in a liability position of $93 million (2020 – liability of $6 million).

21. Loans and borrowings:

	Effective interest rate	December 31, 2021	December 31, 2020
Unsecured senior medium-term notes, payable semi-annually			
Issued by CPC, at 4.28% due in 2024	4.37%	**450**	450
Issued by CPC, at 4.99% due in 2026	5.07%	**300**	300
Issued by CPC, at 4.42% due in 2030	4.49%	**275**	275
Issued by CPC, at 3.15% due in 2032	3.21%	**350**	350
		1,375	1,375
CPC private placement, payable semi-annually			
Issued by CPC, at 3.85% due in 2026	3.85%	**160**	160
Issued by CPC, at 4.56% due in 2029	4.64%	**210**	210
Issued by CPC, at 4.72% due in 2031	4.79%	**65**	65
Issued by CPC, US$150, at 3.24% due in 2033	3.29%	**190**	–
Issued by CPC, at 4.96% due in 2034	5.02%	**50**	50
		675	485
CPLP unsecured senior notes, payable semi-annually			
US$230, at 5.21% due in 2021	5.29%	**–**	293
US$65, at 5.61% due in 2026	5.67%	**82**	83
		82	376
CPLP non-recourse financing, payable quarterly			
Goreway Power Station, $564 at floating rates, due in 2027[1]	1.79%	**476**	524
East Windsor Cogeneration Project, at 6.28%, due in 2029	6.23%	**106**	117
Macho Springs, US$50 at 6.90%, due in 2031	7.00%	**45**	48
		627	689
Tax-equity financing, payable quarterly[2]			
Bloom Wind, US$78		**98**	111
New Frontier Wind, US$55		**69**	80
Cardinal Point Wind, US$118		**150**	184
Buckthorn Wind, US$59		**75**	88
Committed credit facilities			
CPLP US$191, at floating rates, due in 2026[3]	3.69%	**241**	193
		633	656
Total debt payable		**3,392**	3,581
Less: current portion		**126**	417
		3,266	3,164
Less: deferred debt issue costs		**32**	29
		$ 3,234	$ 3,135

[1] In the first quarter of 2020, $564 million at floating rates was extended to mature in 2027.

[2] Effective interest rates on tax-equity financing reflect the internal rates of return on the respective tax-equity investments ranging from 6.50% to 8.95%.

[3] At December 31, 2020, CPLP US$151, at floating rates, due in 2024 with an effective interest rate of 2.20%.

21. Loans and borrowings, continued:

Medium-term notes

On October 1, 2020, the Company closed a public offering of unsecured medium-term notes in the aggregate principal amount of $350 million (the Offering). The notes have a coupon rate of 3.147% and mature on October 1, 2032. On October 9, 2020, the Company redeemed its outstanding 5.276% medium-term notes, due November 16, 2020, in the aggregate principal amount of $251 million. The redemption price was an aggregate amount of $258 million, including applicable early redemption premiums, as well as accrued and unpaid interest to and including the day immediately preceding the redemption date.

US$150 million private placement of senior notes

On October 28, 2021, the Company closed a US$150 million private placement of senior notes due in 2033 with interest payable semi-annually at 3.24% commencing April 28, 2022.

Non-recourse financing

East Windsor Cogeneration Project financing represents Series 1 Senior bonds issued by the Company. The debt is secured by a charge against project assets which have a carrying amount of $134 million.

Macho Springs financing represents loans for the project. The debt is secured by a charge against project assets which have a carrying amount of $62 million.

Goreway financing represents the asset level debt assumed on acquisition. The debt is secured by a charge against the assets of the facility which have a carrying amount of $509 million.

Tax-equity financing

Tax-equity financing represents the initial equity investments made by the project investors, on the respective projects, adjusted for earnings, tax benefits and cash distributions paid to date. The maturity dates of these obligations are subject to change and are driven by the dates on which the project investors reach the agreed-upon target rates of return on the respective projects.

On March 16, 2020, Capital Power's Cardinal Point Wind project began commercial operations. Subsequently, the Company received approximately $221 million (US$157 million) in tax-equity financing on March 26, 2020, net of issue costs of $3 million (US$2 million) associated with the financing, from two U.S. financial institutions in exchange for Class A interests of a subsidiary of the Company.

Committed credit facilities

On July 14, 2021, the Company announced the extension, amendment and transition of its existing committed credit facilities to sustainability-linked credit facilities (SLCs). The five-year commitment to SLCs extends the Company's existing $1 billion of unsecured credit facilities, which include a $700 million syndicated credit facility and an unsecured club credit facility of $300 million, to July 2026. The SLCs are structured with one key performance indicator with annual sustainability performance targets aligned to one of Capital Power's publicly stated sustainability targets: to reduce Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels. The SLCs include terms that reduce or increase borrowing costs as the annual targets are met or missed beginning in 2022. At December 31, 2021, the Company had U.S. loans of $241 million (US$191 million) (2020 – $193 million (US$151 million)) and letters of credit of $30 million (2020 – $9 million) outstanding under these facilities as described in note 34.

Bilateral unsecured demand credit facilities are available to CPC and include $773 million for the issuance of letters of credit and a further $25 million in general facilities. The general facilities are undrawn at December 31, 2021 and 2020 while letters of credit of $465 million (2020 – $259 million) have been issued as described in note 34.

Under the terms of the unsecured credit facilities, the Company's subsidiaries may obtain advances by way of Canadian or U.S. prime loans, U.S. base rate loans, U.S. LIBOR loans and bankers' acceptances. Amounts drawn by way of prime or base rate loans each bear interest at the prevailing Canadian Prime, U.S. Prime or U.S. base rate, respectively, plus a spread ranging from nil to 1.25%, depending on the Company's credit rating. Amounts drawn by way of U.S. LIBOR loans or bankers' acceptances bear interest at the prevailing LIBOR rate or applicable bankers' acceptance rate plus a spread ranging from 1.00% to 2.25%, depending on the Company's credit rating.

22. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2021	2020
Loans and borrowings[1]		
At January 1	**$ 3,552**	$ 3,413
Changes from financing cash flows:		
Proceeds from issue of loans and borrowings (note 21)	**236**	578
Repayments	**(341)**	(444)
Deferred debt issue costs	**(8)**	(9)
Total changes from financing cash flows	**(113)**	125
Additions through business acquisition (note 4)	**(8)**	103
Effect of changes in foreign exchange rates	**(15)**	(35)
Non-cash repayments on tax-equity financing	**(88)**	(88)
Implicit interest on tax-equity financing	**29**	32
Other non-cash items	**3**	2
Total other changes	**(79)**	14
At December 31	**$ 3,360**	$ 3,552

[1] Includes deferred debt issue costs.

	2021	2020
Lease liabilities[2]		
At January 1	**$ 149**	$ 111
Changes from financing cash flows:		
Repayments	**(6)**	(6)
Total changes from financing cash flows	**(6)**	(6)
Additions	**4**	42
Additions through business acquisition (note 4)	**–**	7
Other adjustments	**(3)**	–
Effects of changes in foreign exchange rates	**(1)**	(5)
Total other changes	**–**	44
At December 31	**$ 143**	$ 149

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

23. Deferred revenue and other liabilities:

At December 31	2021	2020
Deferred government grant revenue (note 15)	$ 219	$ 309
Deferred payments on capital project costs	126	–
Contract liabilities[1]	42	48
Other deferred revenue and liabilities	57	55
	444	412
Less current portions:		
Deferred government grant revenue	117	117
Lease liabilities	6	6
Contract liabilities[1]	6	4
Other deferred revenue and liabilities	24	8
Total current deferred revenue and other liabilities	153	135
	$ 291	$ 277

[1] At December 31, 2021, $39 million (2020 – $21 million) was recognized as revenues in relation to outstanding contract liabilities settled during the year.

24. Provisions:

	Decommissioning	Employee benefits[1]	Other	Total
At January 1, 2021	$ 414	$ 86	$ 1	$ 501
Additional liabilities incurred	22	38	2	62
Liabilities settled	(13)	(32)	–	(45)
Amounts reversed unused[2]	(15)	–	–	(15)
Foreign currency translation adjustments	(1)	–	–	(1)
Revisions to decommissioning costs (note 19)	(46)	–	–	(46)
Accretion (note 8)	5	–	–	5
At December 31, 2021	366	92	3	461
Non-current	355	55	1	411
Current	11	37	2	50
	$ 366	$ 92	$ 3	$ 461

[1] Included in the employee benefits provision is $24 million pertaining to the share-based payment obligations described in note 28, of which $24 million is vested at December 31, 2021 (2020 – $21 million total share-based payment obligation, $21 million vested).

[2] Reflects unused decommissioning provisions related to the Southport and Roxboro facilities recorded within gains on disposals and other transactions (note 5).

Decommissioning provisions

The Company has recorded decommissioning provisions for its power generation facilities and the Genesee coal mine (the Genesee Mine) as it is obliged to remove the facilities at the end of their useful lives and restore the power facilities and mine sites to their original condition. Decommissioning provisions for the Genesee Mine are incurred over time as new areas are mined, and a portion of the liability is settled over time as areas are reclaimed prior to final pit reclamation.

At December 31, 2021, the Company's estimate of the undiscounted cash flow required to settle its decommissioning obligations is approximately $556 million (2020 – $561 million), calculated using an inflation rate of 2% (2020 – 2%). The expected timing for settlement of the obligations is between 2022 and 2055, which reflects ongoing reclamation of areas of the Genesee Mine, the Company's plan to repower Genesee 1 and 2 to be off coal in 2023, the remaining decommissioning of the Southport and Roxboro facilities in 2022 and the anticipated useful lives of the different power generation facilities.

24. Provisions, continued:

Decommissioning provisions, continued:

Other than the remaining decommissioning of the Southport and Roxboro facilities in 2022, the payments to settle the obligations are expected to occur between 2031 and 2055 for the power generation facilities and between 2022 and 2023 for the mined, but unreclaimed sections of the Genesee Mine. Discount rates used to calculate the carrying amount of the obligations range from 0.78% to 1.94%. The actual timing and net costs to settle decommissioning obligations may vary from estimates as a result of changes to contractor rates required to perform the decommissioning.

No assets have been legally restricted for settlement of these liabilities.

25. Share capital:

Authorized shares

	Number of shares authorized
Common shares	unlimited
Unlimited preference shares, issuable in series:	
Series 1 and 2	5 million
Series 3 and 4	6 million
Series 5 and 6	8 million
Series 9 and 10	6 million
Series 11 and 12	6 million
Special limited voting share	one

Issued and fully paid shares

	Common shares		Preference shares	
	Number of shares	Amount	Number of shares	Amount
At January 1, 2020	105,381,786	$ 2,488	39,000,000	$ 953
Share purchase options exercised (note 28)	749,155	19	–	–
Common shares purchased[1]	(461,832)	(10)	–	–
Dividend reinvestment plan[2]	511,881	15	–	–
At December 31, 2020	106,180,990	$ 2,512	39,000,000	$ 953
Shares issued[3]	**7,480,750**	**288**	**–**	**–**
Share issue costs[3]	**–**	**(12)**	**–**	**–**
Deferred taxes on share issue costs (note 16)	**–**	**3**	**–**	**–**
Share purchase options exercised (note 28)	**888,580**	**23**	**–**	**–**
Preferred share redemption[4]	**–**	**–**	**(8,000,000)**	**(200)**
Dividend reinvestment plan[2]	**1,643,361**	**64**	**–**	**–**
At December 31, 2021	**116,193,681**	**$ 2,878**	**31,000,000**	**$ 753**

[1] During the year ended December 31, 2021, the Company did not purchase and cancel any of its outstanding common shares (year ended December 31, 2020 – purchased and cancelled at an average exercise price of $22.67 per share) under the Company's Toronto Stock Exchange approved normal course issuer bid.

[2] Effective for the December 31, 2021 dividend, the Company suspended its dividend re-investment plan for its common shares. The dividend re-investment plan was previously reinstated on July 30, 2020.

[3] In June 2021, the Company completed a public offering of 7,480,750 common shares (inclusive of the full exercise of a 975,750 common share over-allotment option) at an issue price of $38.45 per common share for total gross proceeds of approximately $288 million less issue costs of $12 million.

[4] On December 31, 2021, the Company redeemed all of its 8 million issued and outstanding 6.00% cumulative rate reset preference shares, Series 7 at a price of $25.00 per share for an aggregate total of $200 million.

25. Share capital, continued:

Issued and fully paid shares, continued:

The Company's shares are subject to a Shareholder Rights Plan (Rights Plan). The objective of the Rights Plan is to ensure, to the extent possible, the fair treatment of all shareholders in connection with any take-over bid for the securities of the Company, and to provide the Board with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize shareholder value. The Rights Plan will continue in force until the end of the annual meeting of shareholders in 2022, at which time the Company expects to extend the Rights Plan for an additional three years, subject to Board of Directors and shareholder approval and subject to any changes in applicable securities law requirements.

Cumulative rate reset preference shares

Preferred shares	Dividend per share per annum[5]	Dividend rate reset[6]	Redemption and conversion option date[7,8]	Right to convert into[8]
Series 1	$0.655	Reset from $0.765 per annum to $0.655 per annum effective December 31, 2020 for the March 31, 2021 dividend payment.	December 31, 2025	Series 2
Series 3	$1.363	Reset from $1.150 per annum to $1.363 per annum effective December 31, 2018 for the March 31, 2019 dividend payment.	December 31, 2023	Series 4
Series 5	$1.310	Reset from $1.125 per annum to $1.310 per annum effective June 30, 2018 for the September 30, 2018 dividend payment.	June 30, 2023	Series 6
Series 7	$1.500	Dividend rate reset will not be applied as Series 7 Shares were redeemed on December 31, 2021.	Redeemed on December 31, 2021	No longer applicable
Series 9	$1.438	Dividend rate will be reset on September 30, 2022.	September 30, 2022	Series 10
Series 11	$1.438	Dividend rate will be reset on June 30, 2024.	June 30, 2024	Series 12

[5] Dividend rate per annum – Holders of Series 1, Series 3, Series 5, Series 7, Series 9 and Series 11 shares will be entitled to receive fixed cumulative quarterly dividends that yield 2.62%, 5.45%, 5.24%, 6.00% (effective until Series 7 shares were redeemed on December 31, 2021), 5.75% and 5.75% respectively, per annum payable on the last business day of March, June, September and December of each year, as and when declared by the Board of Directors of Capital Power.

[6] Dividend rate reset terms – Dividend rates on Series 1, Series 3, Series 9 and Series 11 shares will be reset every five years following the issuance date or most recent rate reset date at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.17%, 3.23%, 3.15%, 4.12% and 4.15% (provided that, in any event, such rate shall not be less than 5.75% for Series 9 and Series 11 shares), respectively, as and when declared by the Board of Directors of Capital Power.

[7] Redemption option date and terms – Series 1, Series 3, Series 5, Series 9 and Series 11 shares are redeemable by Capital Power, at its option, on the redemption date and every five years thereafter.

[8] Conversion option date – Holders of Series 1, Series 3, Series 5, Series 9 and Series 11 shares will have the right, at their option, on the conversion date and every five years thereafter, to convert all or any part of their shares into Cumulative Floating Rate Preference Shares Series 2, Series 4, Series 6, Series 10 and Series 12, respectively, subject to certain conditions.

Conversion terms – Holders of Series 2, Series 4, Series 6, Series 10 and Series 12 shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.17%, 3.23%, 3.15%, 4.12% and 4.15% respectively, as and when declared by the Board of Directors of Capital Power.

25. Share capital, continued:

Common and preferred share dividends

The common and preferred share dividends declared and paid by the Company for the years ended December 31, 2021 and 2020 are summarized as follows:

	Dividends declared				Dividends paid			
	2021		2020		**2021**		2020	
	Per share	**Total**	Per share	Total	**Per share**	**Total**	Per share	Total
Common[9,10]	**$ 2.1200**	**$ 241**	$ 1.9850	$ 209	**$ 2.0850**	**$ 232**	$ 1.9525	$ 205
Preference:								
Series 1	**0.6553**	**3**	0.7650	4	**0.6553**	**3**	0.7650	4
Series 3	**1.3633**	**8**	1.3633	8	**1.3633**	**8**	1.3633	8
Series 5	**1.3095**	**10**	1.3095	10	**1.3095**	**10**	1.3095	10
Series 7[11]	**1.5000**	**12**	1.5000	12	**1.5000**	**12**	1.5000	12
Series 9	**1.4375**	**9**	1.4375	9	**1.4375**	**9**	1.4375	9
Series 11	**1.4375**	**9**	1.4375	9	**1.4375**	**9**	1.4375	9

[9] On July 29, 2021, the Company's Board of Directors approved an increase of 6.8% in the annual dividend to $2.19 per common share effective for the third quarter of 2021.

[10] For the year ended December 31, 2021, dividends paid on common shares consist of $168 million paid in cash (2020 – $190 million) and $64 million paid through the Company's dividend re-investment plan as common shares issued (2020 – $15 million).

[11] The quarterly dividend for the fourth quarter of 2021 will be the final quarterly dividend on the Series 7 Shares and, as the Redemption Date is also the dividend payment date, the Redemption Price will not include the quarterly dividend for the fourth quarter of 2021. Instead, the quarterly dividend for the fourth quarter of 2021 will be paid on the Redemption Date separately to shareholders of record as of December 16, 2021.

26. Change in non-cash operating working capital:

Year ended December 31		**2021**		2020
Trade and other receivables	**$**	**(1)**	$	(23)
Inventories		**1**		(31)
Trade and other payables		**86**		89
Deferred revenue and other liabilities		**16**		(5)
Provisions		**(2)**		(4)
	$	**100**	$	26

27. Related party balances and transactions:

Nature of transactions

As described in note 32, the Company is party to a number of joint arrangements, primarily for the construction and operation of power generating facilities. The joint arrangements provide energy to the Company and the Company provides management and operation services to the joint arrangements. Transactions with joint arrangements are eliminated to the extent of the Company's interest in the joint arrangement.

Compensation of key management personnel

Year ended December 31		**2021**		2020
Short-term employee benefits	**$**	**8**	$	8
Share-based payments		**5**		5
	$	**13**	$	13

Key management personnel include certain executive officers of the Company in addition to the directors of the Company.

28. Share-based payments:

Share purchase options

Under the Company's long-term incentive plan, the Company provides share purchase options to certain employees to purchase common shares, provided that the number of shares reserved for issuance will not exceed 10% of the common shares to be outstanding at closing and that the aggregate number of shares issued by the Company under this plan will not exceed 9,194,506 common shares.

In March 2021, the Company granted 340,832 share purchase options with one third vesting on March 9 of each of 2022, 2023 and 2024. The fair values of these options at grant date were $2.43, $2.47 and $2.50 per option for the 2022, 2023 and 2024 tranches respectively. Granted options may be exercised within seven years of the grant date at a price of $34.23 per share.

In April 2020, the Company granted 393,245 share purchase options with one-third vesting on April 1 of each of 2021, 2022 and 2023. The fair values of these options at grant date were $1.90, $2.05 and $2.20 per option for the 2021, 2022 and 2023 tranches respectively. Granted options may be exercised within seven years of the grant date at a price of $27.15 per share.

The following assumptions were used in estimating the fair value of the granted share purchase options:

	Share purchase options issued in:	
	2021	2020
Share price at grant date	**$ 34.23**	$ 27.15
Expected volatility[1]	**17.40%**	17.90%
Expected option life[2]	**4.5 years**	4.5 years
Expected dividend yield	**5.989%**	7.072%
Risk-free interest rate[3]	**0.36%**	1.68%
Exercise price	**$ 34.23**	$ 27.15
Expiry date	**March 9, 2028**	April 1, 2027

[1] Volatility was estimated based on the historical volatility in the Company's share prices.

[2] Represents the average expected life of the three tranches for each grant date.

[3] Based on the Government of Canada zero-coupon yield curve. Represents the average risk-free rate of the three tranches for each grant date.

The following illustrates share purchase options activity during the years ended December 31, 2021 and 2020:

	2021		2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, at January 1	**2,697,842**	**$ 25.15**	3,176,990	$ 24.66
Granted	**340,832**	**34.23**	393,245	27.15
Exercised[4]	**(888,580)**	**24.45**	(749,155)	23.56
Forfeited	**(13,467)**	**28.41**	(122,050)	28.65
Expired	**–**	**–**	(1,188)	21.76
Options outstanding, at December 31	**2,136,627**	**$ 26.87**	2,697,842	$ 25.15
Vested options outstanding, at December 31	**1,374,743**	**$ 24.48**	1,748,541	$ 23.59

[4] The weighted average share price at the date of exercise was $38.27 (2020 – $33.00).

During the year ended December 31, 2021, the Company recorded compensation expense of $1 million related to share purchase options in staff costs and employee benefits expense (year ended December 31, 2020 – $1 million).

The weighted average remaining contractual life of the Company's outstanding share purchase options at December 31, 2021 is 3.72 years (2020 – 3.82 years). The exercise prices of share purchase options outstanding at December 31, 2021 range from $17.33 to $34.23 (2020 – $17.33 to $30.78).

28. Share-based payments, continued:

Performance share units

Capital Power grants PSUs to certain employees, which make those employees eligible to receive cash payments based on an equivalent number of common shares at a specified release date for an amount based on the 30-day volume-weighted average price (VWAP) of such number of common shares on the release date. PSUs are fully vested three years from the grant date and vest as service is rendered over that three-year period. Payments are based on the number of units vested including dividend equivalents, with the total number of units adjusted for a factor ranging from 0% to 200% based on the Company's share price performance relative to a group of peer organizations, as determined by comparing total shareholder return.

	2021	2020
PSUs outstanding, at January 1	**333,090**	338,545
Granted[5]	**114,194**	123,513
Released[6]	**(165,708)**	(191,729)
Dividends reinvested	**56,089**	88,375
Forfeited	**(28,932)**	(25,614)
PSUs outstanding, at December 31	**308,733**	333,090

[5] The fair value of the PSUs at the grant date was $36.06 (2020 – $28.91).

[6] The weighted average share price at the date of release was $34.98 (2020 – $33.45).

During the year ended December 31, 2021, the Company recorded a compensation expense of $8 million (2020 – $2 million) related to the outstanding PSUs in staff costs and employee benefits expense.

Restricted share units

Capital Power grants RSUs to certain employees, which make those employees eligible to receive cash payments based on an equivalent number of common shares, including dividend equivalents, at a specified release date for an amount based on the 30-day VWAP of such number of common shares on the release date. RSUs are fully vested three years from the grant date and vest as service is rendered over that three-year period.

	2021	2020
RSUs outstanding, at January 1	**295,650**	274,319
Granted[7]	**95,098**	112,437
Released[8]	**(106,611)**	(99,767)
Dividends reinvested	**15,967**	19,075
Forfeited	**(13,674)**	(10,414)
RSUs outstanding, at December 31	**286,430**	295,650

[7] The fair value of the RSUs at the grant date was $36.06 (2020 – $28.91).

[8] The weighted average share price at the date of release was $34.57 (2020 – $33.34).

During the year ended December 31, 2021, the Company recorded a compensation expense of $4 million (2020 – $4 million) related to the outstanding RSUs in staff costs and employee benefits expense.

28. Share-based payments, continued:

Deferred share units

The Company has approved a DSU Plan pursuant to which non-employee directors or executives of the Company may receive their annual equity retainer or their Short-Term Incentive award, respectively, in the form of DSUs. Directors are entitled to elect to receive their annual retainer, committee retainer, and/or committee chair retainer in full or partial DSUs. Executives who are not yet in compliance of their share ownership requirements may elect to defer all or a portion of their Short-Term Incentive award in the form of DSUs. Directors and executives will receive additional DSUs in respect of dividends payable on an equivalent number of common shares of the Company on the recognized record date. DSUs vest immediately and may be redeemed for cash no earlier than six months after a director's resignation from the Board of Directors or no earlier than the executive's resignation from the Company and no later than December 15th of the year following their resignation. The payout uses the volume-weighted average closing price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately before the redemption date. During the year ended December 31, 2021, the Company recorded a compensation expense of $3 million (2020 – $2 million) related to the outstanding DSUs in staff costs and employee benefits expense.

29. Financial instruments:

Fair values

The Company classifies and measures its cash and cash equivalents, trade and other receivables and trade and other payables at amortized cost and their fair values are not materially different from their carrying amounts due to their short term nature.

Details of the Company's derivative instruments are described in note 14.

The classification, carrying amount and fair value of the Company's other financial instruments are summarized as follows:

		December 31, 2021		December 31, 2020	
	Fair value hierarchy level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets[1]					
Government grant receivable (note 15)	Level 2	**$ 404**	**$ 395**	$ 441	$ 448
Financial liabilities[1]					
Loans and borrowings (note 21)	Level 2	**$ 3,360**	**$ 3,515**	$ 3,552	$ 3,838

[1] Includes current portion.

Fair value hierarchy

The table below presents the Company's financial instruments measured at fair value on a recurring basis in the consolidated statements of financial position, classified using the fair value hierarchy described in note 3.

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Derivative financial instruments assets	**$ –**	**$ 316**	**$ 14**	**$ 330**
Derivative financial instruments liabilities	**–**	**(406)**	**(198)**	**(604)**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments assets	$ –	$ 182	$ 66	$ 248
Derivative financial instruments liabilities	–	(272)	(31)	(303)

29. Financial instruments, continued:

Fair value hierarchy, continued:

Valuation techniques used in determination of fair values within Level 3

The Company has various commodity contracts with terms that extend beyond a liquid trading period. As forward market prices are not available for the full period of these contracts, their fair values are derived using forecasts based on internal modelling and as a result, are classified within Level 3 of the hierarchy.

The Company has a fixed price contract to swap the market revenue of its Bloom Wind generation for a fixed annual payment for a 10-year term that expires in 2027. Anticipated generation continues to be forecasted based on internal modelling. Accordingly, this financial instrument is classified as Level 3.

The Company has a 20-year revenue offtake swap agreement for Buckthorn Wind (see note 4), expiring in 2038, where the market price is swapped for a fixed price per unit of actual generation. The notional quantities are not set forth in the contract and observable forward market pricing is only available for the next 12 years. As such, the Company has developed a generation forecast for the remainder of the contract and a price forecast for the five years for which forward market prices are not available. These are both significant inputs to the determination of fair value, therefore this financial instrument is classified as Level 3.

The Company has a 15-year fixed price contract for Enchant Solar and a 25-year fixed price contract for Strathmore Solar, expiring in 2037 and 2047, respectively, to generate renewable generation and deliver environmental attributes. Observable forward market prices are not available for the full terms of the contract and notional quantities used to calculate fair value reflect anticipated generation, therefore pricing and generation forecasts have been developed based on internal modelling. Accordingly, these financial instruments are classified as Level 3.

In addition, at December 31, 2021 and December 31, 2020, the Company holds contracts for the sale of RECs for which pricing beyond two years is not readily observable and the contracts are therefore classified in Level 3 of the hierarchy.

The fair values of the Company's commodity derivatives included within Level 3 are determined by applying a mark-to-forecast model. The table below presents ranges for the Company's Level 3 inputs:

At December 31	2021	2020
REC pricing (per certificate) – Solar	**$2.96 to $352.48**	$206.86 to $384.76
REC pricing (per certificate) – Wind	**$2.07 to $4.18**	$1.99
Forward power pricing (per MWh) – Solar	**$35.32 to $113.86**	N/A
Forward power pricing (per MWh) – Wind	**$25.25 to $88.42**	$19.32 to $79.17
Average monthly generation (MWh) – Strathmore Solar	**7,123**	N/A
Average monthly generation (MWh) – Enchant Solar	**6,905**	N/A
Average monthly generation (MWh) – Bloom Wind	**54,914**	53,841
Average monthly generation (MWh) – Buckthorn Wind	**17,702**	17,698

Valuation process applied to Level 3

The valuation models used to calculate the fair value of the derivative financial instrument assets and liabilities within Level 3 are prepared by appropriate internal subject matter experts and reviewed by the Company's commodity risk group and by management. The valuation technique and the associated inputs are assessed on a regular basis for ongoing reasonability.

The table below presents the increase or decrease to fair value of Level 3 derivative instruments based on a 10% decrease or increase in the respective input:

At December 31	2021	2020
REC pricing – Solar	**$ –**	$ –
REC pricing – Wind	**1**	1
Forward power pricing – Solar	**16**	N/A
Forward power pricing – Wind	**31**	41
Generation – Solar	**1**	N/A
Generation – Wind	**14**	7

29. Financial instruments, continued:

Fair value hierarchy, continued:

Continuity of Level 3 balances

The Company classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model used to determine fair value. In addition to these unobservable inputs, the valuation model for Level 3 instruments also relies on a number of inputs that are observable either directly or indirectly. Accordingly, the unrealized gains and losses shown below include changes in the fair value related to both observable and unobservable inputs. The following table summarizes the changes in the fair value of financial instruments classified in Level 3:

		2021		2020
At January 1[2]	**$**	**35**	$	41
Acquired with Buckthorn Wind (note 4)		**–**		44
Unrealized and realized losses included in net income[3]		**(211)**		(41)
Settlements[4]		**(6)**		(4)
Transfers[5]		**–**		(3)
Foreign exchange losses		**(2)**		(2)
At December 31	**$**	**(184)**	$	35
Total unrealized and realized losses for the period included in net income[3]	**$**	**(211)**	$	(41)

[2] The fair value of derivative instruments assets and liabilities are presented on a net basis.

[3] Recorded in revenues.

[4] Relates to settlement of financial derivative instruments.

[5] Relates to transfers from Level 3 to Level 2 when pricing inputs became readily observable.

All instruments classified as Level 3 are derivative type instruments. Gains and losses associated with Level 3 balances may not necessarily reflect the underlying exposures of the Company, as unrealized gains and losses from Level 3 financial instruments are often offset by unrealized gains and losses on financial instruments that are classified in Levels 1 or 2.

Financial assets

The fair value of the Company's government grant receivable held at amortized cost is estimated by discounting its expected future cash flows at current market interest rates for comparable instruments with similar terms, plus an estimated credit spread based on the counterparty credit risk at December 31, 2021 and 2020.

Financial liabilities

The fair values of the Company's loans and borrowings are based on determining a current yield for the Company's loans and borrowings at December 31, 2021 and 2020. This yield is based on an estimated credit spread for the Company over the yields of long-term Government of Canada and U.S. Government bonds that have similar maturities to the Company's loans and borrowings. The estimated credit spread is based on the Company's indicative spread as published by independent financial institutions.

Offsetting of financial assets and liabilities

The Company's commodity trading transactions are typically transacted on an exchange or under International Swap Dealers Association Master Agreements or similar master agreements. In general, under the Company's trading agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. Such amounts meet the criteria for offsetting and are presented as such on the Company's statements of financial position. In certain circumstances, including when a credit event such as a default occurs, generally all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable by one party to the other in settlement of all transactions. Amounts that may only be offset in these circumstances do not meet the criteria for offsetting on the Company's statements of financial position.

29. Financial instruments, continued:

Offsetting of financial assets and liabilities, continued:

The Company also has an agreement in place with one of its energy trading counterparties that conveys to the counterparty the right to set-off amounts receivable and amounts payable between the Company and the counterparty in certain circumstances, including when a credit event such as a default occurs on the part of the Company. Such amounts do not meet the criteria for offsetting on the Company's statements of financial position. The Company issues and accepts collateral in the form of cash and letters of credit in respect of its commodity trading transactions. Such collateral is generally subject to standard industry terms. The terms generally also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

Financial assets subject to offsetting, enforceable master netting arrangements or similar arrangements

Types of financial assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position[6]	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Collateral received[7]	
At December 31, 2021						
Commodity trading assets	**$ 669**	**$ (208)**	**$ 461**	**$ (74)**	**$ (1)**	**$ 386**
At December 31, 2020						
Commodity trading assets	$ 399	$ (113)	$ 286	$ (66)	$ –	$ 220

[6] The net amounts of commodity trading assets presented in the statement of financial position include current derivative instruments assets of $99 million, non-current derivative instruments assets of $212 million and trade and other receivables of $150 million (December 31, 2020: current derivative instruments assets of $66 million, non-current derivative instruments assets of $174 million and trade and other receivables of $46 million).

[7] Collateral received relating to the net financial assets disclosed above is in the form of letters of credit received from the Company's counterparties.

Financial liabilities subject to offsetting, enforceable master netting arrangements or similar arrangements

Types of financial liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position[8]	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Collateral pledged	
At December 31, 2021						
Commodity trading liabilities	**$ 877**	**$ (208)**	**$ 669**	**$ (79)**	**$ (161)**	**$ 429**
At December 31, 2020						
Commodity trading liabilities	$ 315	$ (113)	$ 202	$ (68)	$ (19)	$ 115

[8] The net amounts of commodity trading liabilities presented in the statement of financial position include current derivative instruments liabilities of $221 million, non-current derivative instruments liabilities of $311 million and trade and other payables of $137 million (December 31, 2020: current derivative instruments liabilities of $52 million, non-current derivative instruments liabilities of $138 million and trade and other payables of $12 million).

30. Risk management:

Risk management overview

The Company is exposed to a number of financial risks, arising from business activities and its use of financial instruments, including market risk, credit risk and liquidity risk. The Company's overall risk management process is designed to identify, manage and mitigate business risk which includes, among other risks, financial risk. Risk management is overseen by the Company's Executive Team according to objectives, targets and policies approved by the Capital Power Board of Directors. The Executive Team is comprised of the most senior management group within the Company.

Risk management strategies, policies and limits are designed to help ensure the risk exposures are managed within the Company's business objectives and risk tolerance. The Company's financial risk management objective is to protect and limit the volatility in income and cash flow.

30. Risk management, continued:

Risk management overview, continued:

Commodity price risk management and the associated credit risk management are carried out in accordance with the respective commodity, credit and financial exposures risk management policies, as approved by the Executive Team and the Board of Directors. Financial risk management, including foreign exchange risk, interest rate risk, and liquidity risk, is carried out by a centralized Treasury function, also in accordance with a financial risk management policy approved by the Executive Team and the Board of Directors. Capital Power's Audit Committee of the Board of Directors, in its oversight role, monitors the assessment of financial risk management controls and procedures to ensure compliance with applicable policies.

In 2020, the COVID-19 pandemic created a dynamic and challenging environment to navigate. Combined with a sharp decline in oil prices, the result was notable market volatility, including fluctuations in interest rates, foreign currency rates and the Company's share price. The COVID-19 pandemic continued through 2021, however, the economic impacts eased notably. The key implications of these developments on the Company's financial risk exposures and key strategies for mitigating those risks are addressed below within the relevant sections.

Market risk

Market risk is the risk of loss that results from changes in market factors such as commodity prices, foreign currency exchange rates, interest rates and equity prices. The level of market risk to which the Company is exposed at any point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the Company's financial assets and liabilities held, non-trading physical asset and contract portfolios, and trading portfolios.

To manage the exposure related to changes in market risk, the Company uses various risk management techniques including derivative instruments. Derivative instruments may include forward contracts, fixed-for-floating swaps (or contracts-for-differences) and option contracts. Such derivative instruments may be used to establish a fixed price for an energy commodity, an interest-bearing obligation or an obligation denominated in a foreign currency. Commodity risk exposures are monitored daily against approved risk limits, and control processes are in place to monitor that only authorized activities are undertaken.

The sensitivities provided in each of the following risk discussions disclose the effect of reasonably possible changes in relevant prices and rates on net income at the reporting date. The sensitivities are hypothetical and should not be considered to be predictive of future performance or indicative of income on these contracts. The Company's actual exposure to market risks is constantly changing as the Company's portfolio of debt, foreign currency and commodity contracts changes. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

Commodity price risk

The Company is exposed to commodity price risk as part of its normal business operations, including energy procurement activities in Canada and the U.S. The Company's energy procurement activities consist of power generation, non-market traded and market traded electricity, natural gas and emission credits purchase and sales contracts, and derivative contracts. The Company is primarily exposed to changes in the prices of electricity and natural gas. The Company actively manages commodity price risk by optimizing its asset and contract portfolios utilizing the following methods:

- The Company reduces its exposure to the volatility of commodity prices related to electricity sales and natural gas purchases by entering into offsetting contracts such as contracts-for-differences and firm price physical contracts for periods of varying duration.
- The Company enters into fixed-price energy sales contracts and power purchase arrangements which limit the exposure to electricity prices. The Company has entered into long-term tolling arrangements whereby variable changes linked to the price of natural gas are assumed by the counterparty.
- The Company enters into back-to-back electricity and natural gas physical and financial contracts to lock in a margin.

30. Risk management, continued:

Market risk, continued:

Responses to the COVID-19 pandemic throughout North America drove a reduction in demand for electricity during 2020 and into 2021, as municipal, provincial and state authorities implemented social distancing policies, and stay-at-home and/or “shelter-in-place” directives. In turn, this put downward pressure on forward electricity prices. Various regions have experienced additional “waves” of the pandemic through 2021, including increasing COVID-19 variant cases, and while there is no certainty as to when the pandemic will be brought fully under control, progress on vaccine distribution during 2021 has led to more optimism around the ultimate duration of the pandemic. In addition, although government restrictions continue in many regions, including requiring proof of vaccination to access certain businesses and services, such restrictions are now largely structured to lessen impacts on day-to-day business. While impacts of the COVID-19 pandemic may extend further into 2022, a recovery in demand has already been well underway over the back half of 2021, along with a recovery in forward electricity prices, supported by the strong electricity pricing experienced in 2021.

Approximately half of Capital Power’s net cash flows from operating activities come from facilities located outside of Alberta. These facilities are under long-term contractual arrangements with investment grade counterparties. As a result, these facilities have little exposure to any downward pressure on electricity prices as a result of lower electricity demand. The Company’s thermal facility contracts typically are tolling arrangements in which most of the revenue is in the form of capacity payments that are paid regardless of the degree the facility is run. The Company’s wind facilities receive fixed pricing for the power produced. The Company is also exposed to node-to-hub basis risk at many of its U.S. wind facilities. Basis risk is the difference between the power price at the node, where the power is produced, and the hub, where the power is financially settled with the off-taker. In Ontario, where the lower electricity demand could result in some additional physical curtailment of wind facilities, Capital Power is held whole under the contractual arrangements even in the event of physical curtailment.

The balance of the Company’s net cash flows from operating activities come from Alberta generation facilities. In 2021, approximately 15% of the Company’s net cash flows from operating activities from Alberta facilities were under long-term contract with investment grade counterparties, including the tolling arrangement on the Shepard Energy Centre. The balance of the output from the Company’s Alberta facilities is sold into the Alberta merchant market. However, the Company continues to manage this exposure by entering into various purchase and sale arrangements for periods of varying duration.

For 2022, the portion of net cash flows from operating activities from Alberta facilities under long-term contracts is approximately 15%, and at December 31, 2021, the balance of the Company’s Alberta commercial baseload generation not under long-term contract was 72% sold forward for 2022. With improvements in liquidity and forward power pricing during 2021, the percentage sold forward for 2022 returned to a normal level as compared to the lower percentage sold forward we experienced entering 2021. The Company balances the risk associated with being exposed to a higher volume of fluctuations in power prices with the risk of missing opportunities to sell power at higher expected prices in future periods.

The reduction in oil prices in 2020 drove a reduction in oil production which also impacted natural gas production tied to oil drilling. These reductions in natural gas supply put upward pressure on natural gas prices. While oil prices have continued to recover during 2021, there were below-average injections of natural gas into storage over the summer due to the impacts of extreme heat in North America. Global changes in power production fuel from coal to natural gas along with increased exports of liquefied natural gas to European and Asian markets and the expectation of colder temperatures in the near term have all increased the demand and reduced supply putting continued upward pressure on natural gas prices.

The Company’s portfolio of generation comes from a variety of fuel types which minimizes exposure to any one fuel type. For natural gas, the Company uses long-term supply agreements including natural gas contracts as well as fixed transportation agreements to manage its exposure to increases in natural gas prices. At December 31, 2021, the Company has economically hedged all of its expected natural gas burn for 2022, and as a result does not anticipate significant fuel price risk in 2022.

The Company also engages in taking market risk positions within authorized limits approved by Capital Power’s Executive Team and Board of Directors. The trading portfolio includes electricity and natural gas physical and financial derivative contracts which are transacted with the intent of benefiting from short-term actual or expected differences between their buying and selling prices or to lock in arbitrage opportunities.

The fair value of the Company’s energy-related derivatives at December 31, 2021 that are required to be measured at fair value with the respective changes in fair value recognized in net income are disclosed in note 14.

30. Risk management, continued:

Market risk, continued:

The Company employs a Value-at-Risk (VaR) methodology to manage risk exposures to commodity prices on a consolidated basis. VaR measures the estimated potential loss in a portfolio of positions associated with the movement of commodity prices for a specified time period and a given confidence level. Capital Power's VaR for positions expected to settle in 2022, at December 31, 2021, uses a statistical confidence level of 99% over a 10-business-day holding period. This measure reflects a 1% probability that, over the 10-day period commencing with the point in time that the VaR is measured, the fair value of the overall commodity portfolio could decrease by an amount in excess of the VaR amount. The VaR methodology is a statistically defined, probability-based approach that takes into consideration market price volatilities and risk diversification by recognizing offsetting positions and correlations between products and markets. This technique makes use of historical data and assesses the market risk arising from possible future changes in commodity prices over the holding period.

VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

- VaR calculated based on a holding period may not fully capture the market risk of positions that cannot be liquidated or hedged within the holding period.
- The Company computes VaR of the portfolios at the close of business and positions may change substantially during the course of the day.
- VaR, at a 99% confidence level, does not reflect the extent of potential losses beyond that percentile. Losses on the other 1% of occasions could be substantially greater than the estimated VaR.

These limitations and the nature of the VaR measurements mean that the Company can neither guarantee that losses will not exceed the VaR amounts or that losses in excess of the VaR amounts will not occur more frequently than 1% of the time. As VaR is not a perfect predictor of risk, the Company undertakes back testing and periodically calibrates the VaR calculation to a 99% confidence level.

The estimation of VaR takes into account positions from all wholly-owned subsidiaries and subsidiaries in which the Company has a controlling interest, and reflects the Company's aggregate commodity positions from its trading and asset portfolios. Capital Power's Board of Directors has approved the methodology for the ongoing determination of commodity risk limits, under their commodity risk management policy. The Executive Team has access to daily risk reports which provide key measures in relation to applicable limits and quarterly risk reports are reviewed by Capital Power's Audit Committee. The portfolios are stress tested regularly to observe the effects of plausible scenarios taking into account historical price movements and certain hypothetical extreme events. At December 31, 2021, the VaR of the Company's commodity trading and assets portfolios for 2022 as a result of unfavourable market price changes is $34 million based on a 99% confidence level and a holding period of 10 days.

Foreign exchange risk

The Company is exposed to foreign exchange risk on foreign currency denominated forecasted transactions, firm commitments, and monetary assets and liabilities denominated in a foreign currency and on its net investments in foreign operations. The Company's operations expose it to foreign exchange risk arising from transactions denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar, but it is potentially exposed to changes in other currencies if and when it transacts in other currencies. The risk is that the functional currency value of cash flows will vary as a result of the movements in exchange rates.

The Company's foreign exchange management policy is to limit economic and material transactional exposures arising from movements in the Canadian dollar relative to the U.S. dollar or other foreign currencies. The Company's exposure to foreign exchange risk arises from future anticipated cash flows from its U.S. operations, debt service obligations on U.S. dollar borrowings, and from certain capital expenditure commitments denominated in U.S. dollars or other foreign currencies. The Company coordinates and manages foreign exchange risk centrally, by identifying opportunities for naturally occurring opposite movements and then dealing with any material residual foreign exchange risks; these are hereinafter referred to as being economically hedged. The Company may also use derivative instruments to manage foreign exchange risk.

For the Company's facilities that have a U.S. functional currency, foreign exchange movements are largely matched within its U.S. operations and hence foreign exchange exposure is mitigated. The largest exposure the Company had to foreign exchange movements in 2021 was related to capital costs for the Whitla Wind 2 and 3 project. The Company entered into cash flow hedges, which have settled by the end of 2021, to mitigate the foreign exchange exposure on those capital costs. At December 31, 2021, the Company held foreign exchange derivatives as disclosed in note 14.

30. Risk management, continued:

Market risk, continued:

At December 31, 2021, holding all other variables constant, a $0.10 strengthening or weakening of the Canadian dollar against the U.S. dollar would have decreased or increased net income attributable to shareholders by $5 million (2020 – increased or decreased by less than $1 million) and would have decreased or increased other comprehensive income by nil (2020 – $8 million). This sensitivity analysis excludes translation risk associated with the translation of subsidiaries that have a different functional currency to the functional currency of the Company and financial instruments denominated in the functional currency in which they are transacted and measured. As a result, the impact to other comprehensive income reflects only the sensitivity relating to the foreign exchange cash flow hedges.

Interest rate risk

The Company is exposed to changes in interest rates on its cash and cash equivalents, and floating rate current and non-current loans and borrowings. The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company uses floating rate funding for current borrowings and other liquidity requirements. At December 31, 2021, the proportion of fixed rate loans and borrowings was approximately 79% of total loans and borrowings outstanding (2020 – 80%). The Company uses derivative instruments to manage interest rate risk. At December 31, 2021, the Company held interest rate derivatives as disclosed in note 14 which effectively fixed the Company's interest rate spread and increased the proportion of fixed rate loans and borrowings to 93% (2020 – 95%) at December 31, 2021.

Assuming that the amount and mix of fixed and floating rate loans and borrowings and net loans and borrowings remains unchanged from that held at December 31, 2021, a 100 basis point decrease or increase to interest rates would increase or decrease full year net income attributable to common shareholders by $2 million (2020 – $1 million) and would have no direct impact on other comprehensive income.

The effect on net income does not consider the effect of an overall change in economic activity that would accompany such an increase or decrease in interest rates.

Credit risk

Credit risk is the possible financial loss associated with the inability of counterparties to satisfy their contractual obligations to the Company. The Company's counterparty credit risk management policy is established by the Executive Team and approved by the Board of Directors. The associated procedures and practices are designed to manage the credit risks associated with the various business activities throughout the Company. Credit risk management procedures and practices generally include assessment of individual counterparty creditworthiness and establishment of exposure limits prior to entering into any agreements or transactions with the counterparty. Credit exposures and concentrations are subsequently monitored and are regularly reported to management on an ongoing basis. Counterparty creditworthiness also continues to be evaluated on an ongoing basis after transactions have been initiated.

Credit risk is managed and mitigated through a number of risk mitigation practices such as securing parent company guarantees to enhance counterparty credit quality, negotiating and obtaining security (such as cash deposits, letters of credit or property) to offset potential losses, and margining to limit credit risk where applicable.

Maximum credit risk exposure

The Company's maximum credit exposure was represented by the following financial assets:

At December 31		2021		2020
Cash and cash equivalents (note 11)	**$**	**387**	$	367
Trade and other receivables (note 12)[1]		**474**		499
Derivative financial instruments assets (note 14)[1]		**330**		248
Government grant receivable (note 15)		**349**		387
	$	**1,540**	$	1,501

[1] The Company's maximum credit exposures related to trade and other receivables and derivative financial instruments assets by major credit concentration are comprised of maximum exposures of $388 million (2020 – $215 million) for wholesale counterparties and $416 million (2020 – $532 million) for generation and other counterparties at December 31, 2021.

30. Risk management, continued:

Credit risk, continued:

The Company is not permitted to sell or re-pledge collateral in the absence of default of the collateral providers. At December 31, 2021, the Company also held other forms of credit enhancement in the forms of letters of credit of $7 million (2020 – $11 million), parental guarantees of $2,655 million (2020 – $2,589 million) and property registrations of $23 million (2020 – $39 million) related to the financial assets noted above. At December 31, 2021 and 2020, the Company also held parental guarantees which do not have a defined amount or limit, but which provide full support on any outstanding positions related to counterparty performance for power purchase arrangements and certain other operating and construction contracts.

Credit quality and concentrations

The Company is exposed to credit risk on outstanding trade and other receivables associated with its generation and optimization activities including power purchase arrangements, agreements with independent system operators, power sales contracts, energy supply agreements with government sponsored entities, wholesale customers and trading counterparties. The Company is also exposed to credit risk related to its cash and cash equivalents (which include short-term investments), financial and non-financial derivative instruments assets and long-term financing arrangements.

The credit quality and concentrations of the Company's trade and other receivables and other financial assets, by major credit concentrations, are the following:

Cash and cash equivalents

The Company has significant credit and performance exposures to financial institutions as they provide committed credit lines and cash deposit facilities, are the primary counterparty of the Company's interest rate and foreign exchange derivative instruments, and facilitate letters of credit to mitigate the Company's exposure to certain counterparties. The Company manages its credit risk on cash and cash equivalents and short-term investments by dealing with investment grade rated banks and financial institutions and reviewing each investment vehicle to ensure the underlying credit risk is known.

Trade and other receivables and financial derivative instruments

Trade and other receivables are substantially made up of receivables related to the generation and sale of electricity to customers including industrial and commercial customers, independent system operators from various regions and government-owned or sponsored entities and the settlement of financial derivative instruments related to merchant price risk mitigation and trading activities. The Company manages its credit risk on these financial assets through its credit adjudication process, dealing with creditworthy counterparties and utilizing the credit risk mitigation practices noted above.

Generation credit risk

Credit risk exposure from PPAs, agreements with independent system operators, power sales contracts, and certain energy supply agreements is predominantly restricted to trade and other receivables and contract default. In certain cases, the Company relies on a single or small number of customers to purchase all or a significant portion of a facility's output.

The failure of any one of these counterparties to fulfill its contractual obligations could negatively impact the Company's financial results. Financial loss resulting from events of default by counterparties in certain PPAs may not be recovered since the contracts may not be replaceable on similar terms under current market conditions. Consequently, the Company's financial performance depends on the continued performance by customers and suppliers of their obligations under these long-term agreements. Credit risk exposure is mitigated by dealing with creditworthy counterparties that are determined to be investment grade based on the Company's internally assigned ratings or employing mitigation strategies as noted above, netting amounts by legally enforceable set-off rights, and, when appropriate, taking security from the counterparty. Credit risk with counterparties in this asset class that are government-owned or sponsored entities and regulated public utility distributors is generally considered low.

Wholesale and merchant credit risk

Credit risk exposure for wholesale and merchant trading counterparties is measured by calculating the costs (or proceeds) of replacing the commodity position (physical and derivative contracts), adjusting for settlement amounts due to or due from the counterparty and, if permitted, netting amounts by legally enforceable set-off rights. Financial loss on wholesale contracts could include, but is not limited to, the cost of replacing the obligation, amounts owing from the counterparty or any loss incurred on liability settlements. Wholesale and merchant credit risk exposure is mitigated by trading with investment grade and creditworthy counterparties, portfolio diversification, monitoring of credit exposure limits, margining to reduce energy trading risks, obtaining parent company guarantees, and, when appropriate, taking security from counterparties.

30. Risk management, continued:

Credit risk, continued:

Trade and other receivables and allowance for doubtful accounts

Trade and other receivables consist primarily of amounts due from customers including commercial and industrial customers, independent system operators from various regions, government-owned or sponsored entities, and other counterparties. Larger commercial and industrial customer contracts and contracts-for-differences provide for performance assurances including letters of credit if deemed appropriate. The Company also has credit exposures to large suppliers of electricity and natural gas. The Company mitigates these exposures by dealing with creditworthy counterparties and, when appropriate, taking appropriate security from the supplier.

As a result of the economic impacts of COVID-19, the risk that certain of the Company's counterparties will be unable to satisfy their contractual obligations has increased. However, the improving economic environment during 2021 has led to reductions in these increased risk levels, albeit still heightened from the pre-COVID-19 environment. These exposures include trade and other receivables on certain commercial and industrial customers as well as derivative financial instruments assets related to emissions portfolio trading.

The aging of trade and other receivables at December 31, 2021 was:

	Gross trade and other receivables	Allowance for doubtful accounts	Net trade and other receivables
Current[2]	$ 474	$ 1	$ 473
Outstanding greater than 30 days	1	–	1
	$ 475	$ 1	$ 474

[2] Current amounts represent trade and other receivables outstanding zero to 30 days. Amounts outstanding more than 30 days are considered past due.

At December 31, 2021 and 2020, the Company held $13 million in customer deposits for the purpose of mitigating the credit risk associated with accounts receivable from customers. At December 31, 2021, the Company recorded an allowance of $1 million (2020 – $1 million) for expected credit losses on trade and other receivables associated with energy procurement counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's liquidity is managed centrally by the Treasury function. The Company manages liquidity risk through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and also by matching the maturity profiles of financial assets and liabilities to identify financing requirements. The financing requirements are addressed through a combination of committed and demand revolving credit facilities, financings in public and private debt markets and equity offerings by the Company or its CPLP subsidiary. The Company also ladders its debt maturities to avoid large repayments in a single year.

The Company's current liquidity remains strong, with the Company being able to complete a U.S. private placement of senior notes which funded on October 28, 2021 (see note 21). Additionally, the Company also continues to have available committed credit facilities to draw upon as described below.

At December 31, 2021, the Company had undrawn bank credit facilities and operating lines of credit and demand facilities, totalling $1,062 million (2020 – $991 million), of which $729 million is committed to 2026 (2020 – $798 million committed to 2024).

The Company has a shelf prospectus under which it may raise funds in the form of debt or equity, subject to market conditions. At December 31, 2021, Capital Power has a Canadian shelf prospectus, which expires in June 2022, under which it may raise up to $3 billion collectively in common shares of the Company, preference shares of the Company, subscription receipts exchangeable for common shares and/or other securities of the Company, and debt securities of the Company.

30. Risk management, continued:

Liquidity risk, continued:

The following are the undiscounted cash flow requirements and contractual maturities of the Company's financial liabilities, including interest payments, and where applicable, net of financial assets that generate cash inflows to meet cash outflows on financial liabilities at December 31, 2021:

		Due between					
	Due within 1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	Due after more than 5 years	Total contractual cash flows
Non-derivative financial liabilities:							
Loans and borrowings[3] (note 21)	$ 68	$ 73	$ 527	$ 82	$ 788	$ 1,505	$ 3,043
Interest payments on loans and borrowings	115	112	111	89	72	220	719
Trade and other payables[4] (note 20)	600	–	–	–	–	–	600
Lease liabilities (note 17)	14	14	14	22	12	184	260
Derivative financial liabilities (net of financial assets):							
Commodity and other derivatives	140	29	23	21	18	96	327
Total	$ 937	$ 228	$ 675	$ 214	$ 890	$ 2,005	$ 4,949

[3] Repayments of loans and borrowings exclude fair value differentials of $14 million related to debt assumed on previous asset acquisitions and $335 million related to repayments of tax-equity financing through non-cash tax-equity attributes.

[4] Excluding accrued interest on loans and borrowings of $24 million.

31. Capital management:

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, pay regular dividends to its shareholders, maintain a suitable credit rating, and to facilitate the acquisition or development of projects in Canada and the U.S. consistent with the growth strategy of the Company. The Company manages its capital structure in a manner consistent with the risk characteristics of the underlying assets.

The Company manages capital through regular monitoring of cash and currency requirements by preparing short-term and long-term cash flow forecasts and reviewing monthly financial results. The Company matches the maturity profiles of financial assets and liabilities to identify financing requirements to help ensure an adequate amount of liquidity.

The Company considers its capital structure to consist of loans and borrowings net of cash and cash equivalents and equity (which includes non-controlling interests).

The following table represents the total capital of the Company:

At December 31	2021	2020
Loans and borrowings (note 21)	**$ 3,360**	$ 3,552
Lease liabilities[1] (note 17)	**143**	149
Cash and cash equivalents (note 11)	**(387)**	(367)
Net debt	**3,116**	3,334
Share capital (note 25)	**3,631**	3,465
Deficit and other reserves	**(790)**	(565)
Non-controlling interests	**18**	29
Total equity	**2,859**	2,929
	$ 5,975	$ 6,263

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

Capital Power has senior unsecured long-term debt ratings of BBB- (stable outlook) and BBB (low) assigned by Standard & Poor's (S&P) and DBRS Limited (DBRS), respectively. Capital Power has preferred share ratings of P-3 and Pfd-3 (low) assigned by S&P and DBRS, respectively.

31. Capital management, continued:

Capital Power has the following externally imposed requirements on its capital as a result of its credit facilities and certain debt covenants, as defined in the respective agreements:

- Maintenance of modified consolidated net tangible assets to consolidated net tangible assets ratio, as defined in the debt agreements, of not less than 0.75 to 1.0;
- Maintenance of consolidated senior debt to consolidated capitalization ratio, as defined in the debt agreements, of not more than 0.65 to 1.0;
- Limitation on debt issued by subsidiaries; and
- In the event that Capital Power is assigned a rating of less than BBB- from S&P and BBB (low) from DBRS (in each case with a stable outlook), Capital Power would also be required to maintain a ratio of consolidated earnings before interest, income taxes, depreciation and amortization to consolidated interest expense, as defined in the debt agreements, of not less than 2.5 to 1.0.

For the years ended December 31, 2021 and 2020, Capital Power complied with all externally imposed capital restrictions.

To manage or adjust its capital structure, the Company can issue new loans and borrowings, issue common or preferred shares, buy back common shares, redeem preferred shares, repay existing loans and borrowings or adjust dividends paid to its shareholders.

32. Interests in joint arrangements and associates:

Joint operations

The Company holds interests in the following joint operations at December 31, 2021:

	Place of business	% of ownership interest
Joffre Cogeneration Project (Joffre)[1]	Canada	40%
Shepard Energy Centre (Shepard)[2]	Canada	50%

[1] Joffre is a 480 MW gas-fired combined cycle cogeneration facility in which Capital Power holds a 40% interest with external parties holding 40% and 20% interests, respectively. The Company's investment in the Joffre joint arrangement, which is incorporated as a separate legal entity, has been determined to be a joint operation since the contractual arrangements governing the joint arrangement indicate that the parties to the arrangement are entitled to the assets of the joint arrangement and are exposed to the liabilities of the joint arrangement in proportion to their ownership interest.

[2] Shepard is an 860 MW gas-fired generating facility in which Capital Power holds a 50% interest while the other 50% is held by an external party, with the external party responsible for management and operations. Both parties independently dispatch and market their share of the electrical output through Alberta's competitive wholesale market.

There are no significant restrictions pertaining to the joint operations described above.

Equity-accounted investments

Joint venture

York Energy Centre L.P. (York Energy) is a 400 MW natural gas-fired power generating facility, located in Ontario, Canada, in which Capital Power holds a 50% interest while the other 50% is held by an external party. The Company's investment in York Energy, which consists of separate legal entities, has been determined to be a joint venture and is accounted for under the equity method. The Company's obligations are limited to their capital contributions to the joint arrangement, and the Company's receipts of the economic benefits of the joint arrangement are limited to the quarterly distributions. As a result, there is no indication that the Company has rights to the assets or obligations for the liabilities of the joint arrangement and the investment has been classified as a joint venture.

32. Interests in joint arrangements and associates, continued:

Equity-accounted investments, continued:

The summarized financial information of York Energy is as follows:

Statements of Financial Position		2021		2020
Cash and cash equivalents	$	5	$	9
Other current assets		12		9
Non-current assets[3]		210		214
Other financial current liabilities		(20)		(19)
Trade and other payables		(6)		(3)
Financial non-current liabilities		(199)		(226)
Other non-current liabilities		(3)		(3)
Net assets	$	(1)	$	(19)

[3] York Energy has restricted cash of $12 million (2020 – $10 million) included in non-current assets above which represents security for a standby line of credit with a third party.

Statements of Income and Comprehensive Income		2021		2020
Revenues	$	60	$	61
Energy purchases and fuel		(9)		(8)
Other raw materials and operating charges		(4)		(3)
Other administrative expense		(2)		(2)
Depreciation and amortization		(8)		(9)
Finance income (expense)		3		(24)
Net income and comprehensive income	$	40	$	15

A reconciliation of the Company's recorded equity investment in York Energy is as follows:

		2021		2020
Equity-accounted investment in York Energy, at January 1	$	118	$	132
Proportionate share of comprehensive income (50%)		20		8
Distributions received – operating		(11)		(11)
Amortization of the Company's fair value of net assets acquired		(10)		(11)
Equity-accounted investment in York Energy, at December 31	$	117	$	118

York Energy is party to a number of long-term transportation contracts and an operating and maintenance contract. The Company's share of approximate future payments for transportation contracts is $8 million in 2022, $19 million from 2023 to 2026 and $12 million after five years. The Company's share of approximate future payments for the operating and maintenance contract is $1 million from 2022 to 2026 and $9 million thereafter.

Associate

In 2021, the Company's equity interest in C2CNT, a technology company developing a proprietary solution to transform carbon into carbon nanotubes, increased from 25% to 40% with the other 60% held by an external party. The Company is presumed to have significant influence over C2CNT based on its investment exceeding 20% and this is supported by the voting rights associated with the Company's interest in C2CNT. Accordingly, the Company's investment in C2CNT has been determined to be an investment in an associate and is accounted for under the equity method.

At December 31, 2021, the equity-investment in its associate C2CNT is $28 million (US$23 million) (2020 – $16 million (US$13 million)) and no income or operating cash flow has been earned in the year.

33. Commitments and contingencies:

(a) The Company is committed to the following growth projects at December 31, 2021:

Projects	Capacity (MW)	Expected capital cost	Expected completion date	Location
Repowering of Genesee 1 and 2	512[1]	$1,192	2023 – 2024[1]	Alberta
Renewable Projects:				
Strathmore Solar	40.5	$57	Early 2022	Alberta
Enchant Solar	75	$119	Fourth quarter of 2022	Alberta
Bear Branch Solar	35	$60 (US$46)	Fourth quarter of 2024	North Carolina
Hornet Solar	75	$118 (US$90)	Fourth quarter of 2024	North Carolina
Hunter's Cove Solar	50	$82 (US$62)	Fourth quarter of 2024	North Carolina
Halkirk Wind 2	151	$274	Fourth quarter of 2024	Alberta

[1] The repowering will provide an additional 512 MW of gross capacity giving a total gross capacity of 1,372 MW for the two repowered units. In addition, included in the expected capital cost is 210 MW of battery storage to be constructed as part of the repowering project, to support the most severe single contingency constraint of Genesee 1 and 2. Genesee 1 would become a dedicated natural gas combined cycle (NGCC) unit in 2023 and Genesee 2 would become a dedicated NGCC unit by 2024.

(b) The Company is party to a number of long-term energy purchase and transportation contracts, operating and maintenance contracts and contracts to purchase environmental credits. Some of the energy purchase and transportation contracts are measured at their fair value and recorded on the consolidated statement of financial position as derivative financial instruments assets and liabilities as appropriate.

Approximate future payments under each group of contracts are as follows:

	Energy purchase and transportation contracts[2]	Operating and maintenance contracts	Environmental credits[3]
Within one year	$ 224	$ 64	$ 11
Between one and five years	663	277	26
After five years	550	370	–
	$ 1,437	$ 711	$ 37

[2] Based on gross settlement amounts.

[3] Future environmental credit purchases are presented net of future environmental credit sales.

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

As a result of the LLR Proceeding, Capital Power incurred additional charges related to historical periods and, as such, has recorded net expenses of $19 million pertaining to the Company's net obligation including $20 million recorded in prior years and a decrease of $1 million recorded during 2021 to reflect final tranche 3 invoices received during this period. The invoicing process resulted in gross billings to Capital Power of which those amounts not attributable to Capital Power were largely recovered from the appropriate parties, with the exception of those related to the Sundance C PPA from the Balancing Pool.

The Balancing Pool is disputing its liability to make payment for the LLR adjustment invoices related to the Sundance C PPA, which amounts to a net potential exposure to Capital Power of approximately $25 million recorded within other assets at December 31, 2021. The Company believes the various agreements governing the termination and transfer of the Sundance C PPA and related transmission agreements with the AESO had the effect of transferring all past liabilities for the Sundance C PPA to the Balancing Pool. Capital Power has therefore filed a statement of claim at the Alberta Court of Queen's Bench on January 11, 2021 against the Balancing Pool, the Province of Alberta and the AESO in which it is seeking, among other relief, recovery from the Balancing Pool and the Province of Alberta of all amounts Capital Power was compelled to pay to the AESO on account of the LLR adjustment invoices relating to the Sundance C PPA as well as interest and legal costs, including the portion invoiced to the Balancing Pool but not received by the Company pertaining to all tranches of invoices. This process remains ongoing. Capital Power expects to ultimately realize the full amount of the gross receivables related to the line losses upon resolution of the dispute before the Court.

33. Commitments and contingencies, continued:

(d) Following the severe weather events during the February 9 to 20, 2021 period, the Company settled the offtake and commodity swaps for Buckthorn Wind for the noted time period based on the pricing dictated in the respective agreements. However, Buckthorn Wind's counterparty is contesting the settlement, arguing that settlement should have been based upon a different reference price. Historically these two prices have been similar, but as a result of the February 2021 extreme weather, the Company became aware of a divergence in these prices during scarcity events. Both parties have invoked dispute-resolution procedures and the Company has initiated litigation. Based on the contract terms of the offtake and commodity swaps, the Company considers the probability of ultimate settlement using the reference price advocated by the counterparty as being unlikely. In the event that the dispute is resolved unfavorably to the Company, the net exposure to the Company's revenues would be a reduction of up to approximately $19 million (US$15 million).

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

34. Guarantees:

The Company, through its subsidiary CPLP, has issued letters of credit of $495 million (2020 – $268 million) to meet the credit requirements of energy market participants, to meet conditions of certain service agreements, and to satisfy legislated reclamation requirements.

35. Segment information:

The Company operates in one reportable business segment involved in the operation of electrical generation facilities within Canada (Alberta, British Columbia and Ontario) and in the U.S. (North Carolina, New Mexico, Kansas, Alabama, Arizona, North Dakota, Illinois and Texas), as this is how management assesses performance and determines resource allocations. The Company also holds a portfolio of wind and solar development sites in the U.S. and Canada.

The Company's results from operations within each geographic area are:

	Year ended December 31, 2021				Year ended December 31, 2020			
	Canada	**U.S.**	**Inter-area eliminations**	**Total**	Canada	U.S.	Inter-area eliminations	Total
Revenues – external[1]	**$ 1,765**	**$ (8)**	**$ –**	**$ 1,757**	$ 1,473	$ 318	$ –	$ 1,791
Revenues – inter-area	**23**	**–**	**(23)**	**–**	5	1	(6)	–
Other income	**145**	**88**	**–**	**233**	58	88	–	146
Total revenues and other income	**$ 1,933**	**$ 80**	**$ (23)**	**$ 1,990**	$ 1,536	$ 407	$ (6)	$ 1,937

[1] Revenues from external sources include realized and unrealized gains and losses from derivative financial instruments.

	At December 31, 2021			At December 31, 2020		
	Canada	**U.S.**	**Total**	Canada	U.S.	Total
Property, plant and equipment	**$ 4,603**	**$ 1,600**	**$ 6,203**	$ 4,417	$ 1,681	$ 6,098
Right-of-use assets	**56**	**64**	**120**	60	69	129
Intangible assets and goodwill	**645**	**139**	**784**	637	136	773
Other assets	**47**	**–**	**47**	37	–	37
	$ 5,351	**$ 1,803**	**$ 7,154**	$ 5,151	$ 1,886	$ 7,037

35. Segment information, continued:

The Company's revenues and other income from contracts with customers are disaggregated by major type of revenues and operational groupings of revenues:

	Year ended December 31, 2021						
	Alberta commercial	**Western Canada contracted**	**Ontario contracted**	**U.S. contracted**	**Total from contracts with customers**	**Other sources**	**Total**
Energy revenues	**$ 1,656**	**$ 91**	**$ 307**	**$ 193**	**$ 2,247**	**$ (520)**	**$ 1,727**
Emission credit revenues	**24**	**6**	**–**	**3**	**33**	**(3)**	**30**
Total revenues[2]	**$ 1,680**	**$ 97**	**$ 307**	**$ 196**	**$ 2,280**	**$ (523)**	**$ 1,757**

	Year ended December 31, 2020						
	Alberta commercial	Western Canada contracted	Ontario contracted	U.S. contracted	Total from contracts with customers	Other sources	Total
Energy revenues	$ 573	$ 91	$ 289	$ 205	$ 1,158	$ 597	$ 1,755
Emission credit revenues	27	9	–	10	46	(10)	36
Total revenues[2]	$ 600	$ 100	$ 289	$ 215	$ 1,204	$ 587	$ 1,791

[2] Included within trade and other receivables, at December 31, 2021, were amounts related to contracts with customers of $298 million (2020 – $132 million).

36. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's presentation.

Appendix

In this section:

- **2021 GRI & SASB index**
- **2021 ESG performance**
- **10-year operational & financial highlights**
- **Investor information**

GRI 102: General disclosures

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<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>2021 Response</th></tr>
<tr><td colspan="3">Organizational profile</td></tr>
<tr><td>102-1</td><td>Name of the organization</td><td>Capital Power (TSX: CPX)</td></tr>
<tr><td>102-2</td><td>Activities, brands, products, and services</td><td>2021 Annual Information Form > Business of Capital Power > pp. 25–50</td></tr>
<tr><td>102-3</td><td>Location of headquarters</td><td>Edmonton, Alberta (Canada)</td></tr>
<tr><td>102-4</td><td>Location of operations</td><td>Capital Power has operations in Canada and the United States.
Website > Operations</td></tr>
<tr><td>102-5</td><td>Ownership and legal form</td><td>2021 Annual Information Form > Corporate Structure > p. 14</td></tr>
<tr><td>102-6</td><td>Markets served</td><td>2021 Integrated Annual Report > Introduction > About Capital Power > p. 2
2021 Annual Information Form > Business of Capital Power > pp. 25–39</td></tr>
<tr><td>102-7</td><td>Scale of the organization</td><td>2021 Integrated Annual Report > Introduction > By the numbers > p. 3
2021 Integrated Annual Report > Consolidated Financial Statements > Consolidated statements of financial position > pp. 133–134</td></tr>
<tr><td>102-8</td><td>Information on employees and other workers</td><td>Number of temporary & permanent employees by gender & employment contract
<table>
<tr><th></th><th>Total</th><th colspan="2">Men</th><th colspan="2">Women</th></tr>
<tr><td>Organization</td><td>773</td><td>560</td><td>72.45%</td><td>213</td><td>27.55%</td></tr>
<tr><td>Permanent</td><td>728</td><td>530</td><td>72.80%</td><td>198</td><td>27.20%</td></tr>
<tr><td>Temporary</td><td>45</td><td>30</td><td>66.67%</td><td>15</td><td>33.33%</td></tr>
</table>
Number of full-time & part-time employees by gender
<table>
<tr><th></th><th>Total</th><th colspan="2">Men</th><th colspan="2">Women</th></tr>
<tr><td>Part-time</td><td>38</td><td>15</td><td>39.47%</td><td>23</td><td>60.53%</td></tr>
<tr><td>Full-time</td><td>735</td><td>545</td><td>74.15%</td><td>190</td><td>25.85%</td></tr>
</table>
Number of temporary & permanent employees by country
<table>
<tr><th>Country</th><th>Total</th><th colspan="2">Temporary</th><th colspan="2">Permanent</th></tr>
<tr><td>Canada</td><td>691</td><td>39</td><td>5.64%</td><td>652</td><td>94.36%</td></tr>
<tr><td>U.S.</td><td>82</td><td>6</td><td>7.32%</td><td>76</td><td>92.68%</td></tr>
</table>
Data was gathered on December 31, 2021, using our People Service IS System. It includes all permanent employees, temporary employees, casual employees and employees on maternity/parental leave. It excludes pensioners, Board members and employees on long-term disability (LTD). Casual employees are included in the part-time temporary category.</td></tr>
<tr><td>102-9</td><td>Supply chain</td><td>Capital Power's supply chain primary categories include:
1. Parts and services to support operation and maintenance of our electrical generation facilities (both renewable and thermal);
2. Fuel supply for thermal units;
3. Materials, capital equipment and services for generation facilities under construction; and
4. Professional services including engineering, accounting and legal services.
Purchasing oversight is managed as follows: Commercial Services (natural gas purchases), Legal (legal services) and Supply Chain (all other categories). Capital Power's active supplier base currently numbers approximately 2,300 in the United States and 2,400 in Canada.
Total supply chain commitments for the last three years were as follows:
• $874 million CAD (2021);
• $662 million CAD (2020); and
• $875 million CAD (2019).
2021 spend is distributed roughly 60:40 between Canada and the United Sates, with less than 2% of spend directed to supplier payment sites outside of North America.
2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing risks in our supply chain > p. 32</td></tr>
</table>

Disclosure Number	Disclosure Title	2021 Response
Organizational profile		
102-10	Significant changes to the organization and its supply chain	The following changes to the organization in 2021 are significant to Capital Power's supply chain: 1. In March 2021, Capital Power closed both its solid fuel thermal generation facilities located in North Carolina, United States, and commenced decommissioning activities; 2. In June 2021, Capital Power commenced construction on the repowering for Genesee Units 1 and 2; 3. In April 2021, Capital Power commenced construction on two photovoltaic solar facilities in Alberta, Canada, totalling 115.5 MW; 4. In December 2021, Capital Power completed phases 2 and 3 of the Whitla Wind project totalling 151 MW; and 5. Capital Power's Board approved a formal sustainable sourcing strategy that will be executed going forward starting in Q1 2022. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > pp. 24–25, 32
102-11	Precautionary Principle or approach	When any Canadian statutory decision maker, court or tribunal applies the Precautionary Principle in making its determination, we consider this principle in the conduct of our activities in like circumstances. The Precautionary Principle says that when an activity raises threats to human health or the environment, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically.
102-12	External initiatives	• **Equal by 30:** 2021 Integrated Annual Report > People > Equity, diversity & inclusion > p. 35 • **30 by 30:** 2021 Integrated Annual Report > People > Equity, diversity & inclusion > p. 35 • **Solar Energy Industries Association:** 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > p. 32
102-13	Membership of associations	Capital Power maintains organizational-level memberships in the following associations: • Powering Past Coal Alliance • International Emissions Trading Association • Business Council for Sustainable Energy • Business Renewables Center • American Clean Power Association • Western Power Trading Forum • Mid-Atlantic Renewable Energy Coalition • Clean Grid Alliance • Ontario Chamber of Commerce Energy Council • Clean Energy BC • Solar Energy Industries Association • Canadian Renewable Energy Association • American Council on Renewable Energy • Alberta Chamber of Resources • Catalyst • Boston College Center for Corporate Citizenship • Construction Owners Association of Alberta • Independent Power Producers Society of Alberta • Association of Power Producers of Ontario • Canadian Electricity Association • Canadian American Business Council • Edmonton Chamber of Commerce • The Conference Board of Canada • Advanced Power Alliance • Canadian Business for Social Responsibility (CBSR)/EXCEL Partnership • Business Ethics Leadership Alliance • Edmonton Integrity Network

Disclosure Number	Disclosure Title	2021 Response
Strategy		
102-14	Statement from senior decision-maker	2021 Integrated Annual Report > Introduction > Increasing our velocity to net carbon neutrality by 2050 > pp. 5–7
102-15	Key impacts, risks, and opportunities	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Strategy & Targets > Risk overview > pp. 18–20 2021 Climate Change Disclosure Report > pp. 18–28
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	At Capital Power, we act with integrity and take responsibility for our decisions and actions. The foundation of this culture is our *Ethics Policy*, which applies to our Board of Directors and all Capital Power employees, as well as consultants and contractors. Compliance with this policy is a material condition of ongoing employment and relationship with Capital Power. 2021 Integrated Annual Report > Introduction > Increasing our velocity to net carbon neutrality by 2050 > pp. 5–7 2021 Integrated Annual Report > Introduction > About Capital Power > p. 2 2021 Integrated Annual Report > People > pp. 34–42 Website > *Ethics Policy*
102-17	Mechanisms for advice and concerns about ethics	2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56 Website > *Ethics Policy*
Governance		
102-18	Governance structure	2021 Integrated Annual Report > Governance & Ethics > pp. 52–56 2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 Website > Corporate Governance More comprehensive analysis of the Company's approach to corporate governance matters will be included in the Management Proxy Circular.[1] [1] The 2022 Proxy relates to the 2022 AGM and will be published in March. In it, we discuss compensation and activities in 2021; however, the slate of directors nominated are for the 2022 AGM.
102-19	Delegating authority	2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 Website > Board Terms of Reference Website > Corporate Governance Governance specific to climate change matters is described in more detail in our 2021 Climate Change Disclosure Report
102-20	Executive-level responsibility for economic, environmental, and social topics	2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54

Disclosure Number	Disclosure Title	2021 Response
Governance		
102-21	Consulting stakeholders on economic, environmental, and social topics	In 2021, the Chair of our Board along with the Chair of the People, Culture and Governance (PCG) Committee (formerly the CGCN Committee) sent a letter to institutional investors as part of the Board outreach program indicating that our program would resume in 2022. Key themes in past Board shareholder engagement discussions were: environmental, social and governance (ESG) performance reporting; Board oversight on Capital Power's capital allocation and strategy, and CEO succession and organizational changes to the Executive Team; Board diversity; share price performance and dividend growth; executive compensation; and our involvement in C2CNT. Our 2021 Integrated Annual Report (IAR) and 2021 Climate Change Disclosure Report are examples of how we act on shareholder feedback. 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. 2021 Climate Change Disclosure Report > pp. 6, 8, 9, 16 Website > *Shareholder Engagement Policy* See the current Committee memberships: Website > Corporate Governance
102-22	Composition of the highest governance body and its committees	2021 Integrated Annual Report > Governance & Ethics > pp. 52–56 Website > Corporate Governance More comprehensive analysis of the Company's approach to corporate governance matters will be included in the Management Proxy Circular.
102-23	Chair of the highest governance body	Our Board Chair, Jill Gardiner, is not an executive officer.
102-24	Nominating and selecting the highest governance body	For the process of nominating and shareholder/stakeholder involvement, refer to the following pages in the 2022 Management Proxy Circular: 1) "About our nominated directors" p. 12 2) "Recruitment, assessment and tenure" p. 29 3) "Shareholder proposals" p. 33 4) "PCG Committee activities" p. 36
102-25	Conflicts of interest	2022 Management Proxy Circular > p. 29 2021 Annual Information Form > Directors and Officers > Conflicts of Interest > p. 84
102-26	Role of highest governance body in setting purpose, values, and strategy	Under the Board's oversight, the Chief Executive Officer (CEO) is ultimately responsible for setting the Corporation's purpose, values and strategy and climate-related issues as the head of the Executive Team. The Executive Team as a whole is responsible for ensuring our purpose, values and strategy are sustainable, including addressing climate change-related issues and implications, risks and opportunities for Capital Power. In 2021, the Board approved: • The Corporate Purpose, including amendments to our vision, mission and corporate values • The sustainable sourcing strategy • The water management strategy 2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54
102-27	Collective knowledge of highest governance body	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, including quarterly updates and reports from executives and committees. Our directors receive materials well in advance of each Board meeting that include background information about items to be considered at the meeting. Directors are encouraged to attend externally hosted education conferences and seminars and Capital Power will contribute toward the cost. 2022 Management Proxy Circular > Director Education 2021 Integrated Annual Report > Governance & Ethics > Corporate governance > p. 52

Disclosure Number	Disclosure Title	2021 Response
Governance		
102-28	Evaluating the highest governance body's performance	2022 Management Proxy Circular > Recruitment, Assessment and Tenure
102-29	Identifying and managing economic, environmental, and social impacts	2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 2022 Management Proxy Circular > Roles and Responsibilities 2021 Climate Change Disclosure Report > pp. 8–9
102-30	Effectiveness of risk management processes	2022 Management Proxy Circular > Roles and Responsibilities
102-31	Review of economic, environmental, and social topics	2022 Management Proxy Circular > Board Committees 2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 2021 Climate Change Disclosure Report > p. 8
102-32	Highest governance body's role in sustainability reporting	2021 Integrated Annual Report > Governance & Ethics > p. 54
102-33	Communicating critical concerns	Capital Power maintains frequent dialogue with the Board. With respect to critical concerns, the Board meets at least quarterly through regularly scheduled meetings to discuss issues, and/or as appropriate, based on the nature of the issue. The Audit Committee receives quarterly reports and the HSE Committee meets three times per year, and at each meeting they receive HSE Quarterly Status and Environmental Regulatory Update reports as well as verbal operations reports.
102-34	Nature and total number of critical concerns	We do not disclose what is discussed in Board meetings due to confidentiality constraints. Critical concerns are taken to the Board and discussed. Actions are taken or policies are updated, as needed.
102-35	Remuneration policies	2022 Management Proxy Circular > Compensation Discussion and Analysis
102-36	Process for determining remuneration	2022 Management Proxy Circular > Compensation Discussion and Analysis
102-37	Stakeholders involvement in remuneration	Shareholders vote, on an advisory basis, on our approach to executive compensation, which is included in the Proxy. The vote at the 2021 AGM was 91.16% for and 8.84% against.
102-38	Annual total compensation ratio	26.1:1 (CEO/Employees)
102-39	Percentage increase in annual total compensation ratio	3.3:1
Stakeholder engagement		
102-40	List of stakeholder groups	• Industry associations & non-government organizations • Local partners & suppliers • Operational/development communities & Indigenous groups • Employees & labour unions • Government & regulators • Investors
102-41	Collective bargaining agreements	UNIFOR 1123 represents maintenance employees and power engineers at our Island Generation facility. Union staff represent a total of 33% of our Canadian workforce and 29% of our total workforce.
102-42	Identifying and selecting stakeholders	We identify stakeholders to engage through community research and outreach, consultation with subject matter experts, input from regulators or regulatory requirements, requests for engagement directly from stakeholders, informal discussion with stakeholders and other methods.
102-43	Approach to stakeholder engagement	2021 Integrated Annual Report > Community Engagement > pp. 44–46, 49–50
102-44	Key topics and concerns raised	2021 Integrated Annual Report > Community Engagement > pp. 45–46, 50

Disclosure Number	Disclosure Title	2021 Response
Reporting practice		
102-45	Entities included in the consolidated financial statements	Capital Power Corporation 2021 Integrated Annual Report > Financials > Notes to the consolidated financial statements > p. 138
102-46	Defining report content and topic Boundaries	**Scope** The scope of this report includes all company-wide environmental, economic, social and safety performance and goals from January 1, 2021, through December 31, 2021. We report only on assets that we operate and provide year-over-year trending where possible. Data from each plant represents the entire plant, not only our financial share of the operation, including York Energy Centre (50/50 joint venture). Energy production and emissions data from Joffre and Shepard Energy Centre, units we hold an ownership interest in, are not included because we do not hold the operating permits. **Defining materiality and identifying priority topics** An important aspect of defining content for this report was to identify the sustainability priorities for our business and stakeholders. Materiality, in the sustainability context used for this report, refers to the relative significance of environmental, social, governance and economic priorities and their impacts (both positive and negative) on our business and stakeholders. To help define the sustainability topics most urgent and relevant for our business, we initiated a comprehensive process in 2018 that included engaging expert sustainability consultants and undertaking surveys with key stakeholders. As a first step, we referenced reporting guidelines and frameworks such as the Global Reporting Initiative and the Task Force for Climate-related Financial Disclosures (TCFD), as well as those identified through non-profit industry organizations such as the Electric Power Research Institute. By using these standards, we disclose the most critical impacts of our activities on the environment, society and the economy. As part of this report, we fully aligned to SASB on relevant metrics related to power generation. As we continue to evolve our reporting, we will seek to enhance our alignment to these frameworks. 2021 Integrated Annual Report > Introduction > About this report > p. 1
102-47	List of material topics	2021 Integrated Annual Report > Introduction > About this report > p. 1
102-48	Restatements of information	We restated our 2019 response to GRI 405-1, Percentage of individuals by gender within the organization's governance bodies, from 50% to the correct percentages in the 2020 tables in GRI 405-1.
102-49	Changes in reporting	Not applicable
102-50	Reporting period	January 1, 2021 to December 31, 2021.
102-51	Date of most recent report	February 24, 2022
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Capital Power Corporate Headquarters 1200 – 10423 101 St. N.W. Edmonton, AB T5H 0E9 info@capitalpower.com www.capitalpower.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option for the period of January 1, 2021 – December 31, 2021.
102-55	GRI content index	2021 Integrated Annual Report > Appendix > GRI & SASB index > p. 192
102-56	External assurance	2021 Integrated Annual Report > Introduction > KPMG assurance > p. 120

GRI 200: Economic

Disclosure Number	Disclosure Title	2021 Response
GRI 201: Economic Performance		
103-1	Explanation of the material topic and its Boundary	Discussion around economic performance can be found throughout the Business Report section (begins on page 57) of our 2021 Integrated Annual Report 2021 Integrated Annual Report > Introduction > About this report > p. 1
103-2	The management approach and its components	2021 Integrated Annual Report > Business Report > pp. 57–116
103-3	Evaluation of the management approach	Management's responsibility for financial reporting denotes that management maintains systems of internal controls designed to provide reasonable assurance that the Company's assets are safeguarded, that transactions are properly authorized, and that reliable financial information is relevant, accurate and available on a timely basis. The internal control systems are monitored by management and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors.
201-1	Direct economic value generated and distributed	**Economic value generated and distributed** *Direct economic value generated* Revenues and other income: 1,990 ($M) *Economic value distributed* Staff costs and employee benefits expense: 176 ($M) Payments to providers of capital: Interest paid: 121 ($M) Dividends paid: 219 ($M) Income taxes paid: 14 ($M) Other operating costs: 932 ($M) Community investments: 1.8 ($M) 2021 Integrated Annual Report > Consolidated Financial Statements > Statements of changes in equity > pp. 135–136 Segmented revenues split between the U.S. and Canada are included within the geographic segment disclosures in Note 35 of the financial statements on p. 189. 2021 Integrated Annual Report > Financials > Consolidated Financial Statements > pp. 131–132
201-2	Financial implications and other risks and opportunities due to climate change	2021 Integrated Annual Report > Business Report > p. 87 2021 Climate Change Disclosure Report > pp. 18–28

Disclosure Number	Disclosure Title	2021 Response
GRI 201: Economic Performance		
201-3	Defined benefit plan obligations and other retirement plans	Capital Power employees hired prior to July 1, 2009, participate in the Local Authorities Pension Plan (LAPP), a multi-employer, contributory pension plan for employees of municipalities, hospitals and other public entities in Alberta, governed by the *Public Sector Pension Plans Act* (Alberta). No liability accrues to participating employers like Capital Power, as the plan is governed by the LAPP Corporation who manage liabilities through contributions collected from employers and plan participants. Employees hired after July 1, 2009, participate in a defined contribution arrangement, a registered pension plan for Canadian employees and a 401(k) for American employees, which do not amass liabilities by design. Certain Canadian employees are eligible to participate in the Supplemental Retirement Plan (SRP), a non-registered plan which provides pension benefits in excess of the maximum limits prescribed by the *Income Tax Act* (Canada). The plan is funded through general revenues of Capital Power on a pay-as-you-go basis. The defined benefits component of the SRP has an estimated liability of $46 million as of December 31, 2020. This retirement plan is governed by the PCG Committee of Capital Power's Board of Directors. Percentage of salary contributed by employee or employer: • LAPP – Employer contributes 9.39% up to the yearly maximum pensionable earnings (YMPE) and 13.84% above the YMPE. Employee contributes 8.39% up to the YMPE and 12.84% over the YMPE. • Defined Contribution Pension Plan (DC) – Employee/Employer each contribute 5% (in cases of <5 years of service), 6.5% (for 5–10 years of service), 8% (>10 years of service) • 401(k) (U.S. employees only) – Employee voluntary deferral, up to 7% employer match • Savings Plan (eligible employees only) – Employee voluntary deferral, up to 5% employer match Level of participation in retirement plans: • LAPP/DC – 100% – Mandatory participation (Canada) • 401(k) – 87% voluntary participation rate (U.S.) • Savings Plan – 81% voluntary participation rate (Canada)
GRI 204: Procurement Practices		
103-1	Explanation of the material topic and its Boundary	We are a major buyer in the geographic areas of our under-construction and operating sites. Sourcing locally in these areas can have significant economic impacts on the surrounding communities, including Indigenous communities, by directly and indirectly supporting job creation and economic diversification. Benefits to Capital Power from supporting local businesses can include reduced cost arising from less-costly transport of goods and workers to our sites, and reducing operational downtime by strengthened local capabilities which also require less lead time for planned and unplanned repairs. In addition, our local sourcing improves economic wellbeing and creates employment opportunities in the communities where most of our employees live. We generally consider that the boundaries of local sourcing are the province or state in which the facility is located. 2021 Integrated Annual Report > Introduction > About this report > p. 1
103-2	The management approach and its components	Capital Power's sourcing practices include non-cost-based selection criteria, including requirements for suppliers to follow internal or external standards relating to sustainable business practices where possible. It is strongly recommended that employees follow sourcing and negotiation practices on each purchase, regardless of transaction dollar value, which maximizes the potential impact of sustainable sourcing requirements. Capital Power's approach uses a procurement process with selection criteria that includes subjective areas that should generally give an advantage to local suppliers. In addition, Capital Power conducts supplier open houses in locations nearby to our large construction projects before start of construction in order to determine the range and capability of local suppliers. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing risks in our supply chain > p. 32 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Supporting local suppliers > p. 32

Disclosure Number	Disclosure Title	2021 Response
103-3	Evaluation of the management approach	Capital Power is working toward an improved mechanism for evaluating the environmental, social and governance impacts of our procurement process. Capital Power has approved a sustainable sourcing strategy, with a framework outlining social deliverables for 2022 and 2023. Processes and targets to increase local sourcing, and increased opportunities for Indigenous communities, women-owned businesses and BIPOC-owned businesses, will be implemented over the time frame.
204-1	Proportion of spending on local suppliers	The proportion of spending by Capital Power on local organizations during the reporting period was approximately 55%. Spend includes engineering, consulting, construction, maintenance, parts, equipment, software and plant inputs (i.e., chemicals, gases, non-commodity fuels and additives). Capital Power defines "local organization" as an organization that: • Provides goods or services to a significant location of operation; and • Provides goods and/or services from a supplier site located in the same province/state as a significant location of operation. A "significant location of operation" is a location that maintains a personnel presence of at least 10 people and/or is a plant operated by Capital Power with a nameplate capacity of at least 15 MW. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Supporting local suppliers > p. 32

GRI 300: Environmental

Disclosure Number	Disclosure Title	2021 Response
GRI 302: Energy		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Introduction > About Capital Power > p. 2
103-2	The management approach and its components	The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to energy and to ensure that environmental requirements are met, or while implementing procedures to reduce the impact of operations on the environment. 2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Strategy & Targets > pp. 9–11 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Supporting local suppliers > p. 32 2021 Integrated Annual Report > People > Occupational health & safety > p. 41 *HSE Policy*
103-3	Evaluation of the management approach	All plants are subject to an internal review process which includes an environmental component. Internal audit has developed an Integrated Site Assurance Team (ISAT) program whereby all plants are subject to a multi-disciplinary assurance review on a rotating schedule, which includes a health, safety and environment component. The environmental focus of these audits is the plant's permits and regulatory compliance and/or a management system approach to assessing environmental risk management. In addition, Capital Power's Health, Safety and Environment corporate group is subject to an internal audit every three years where it takes a risk-based approach to determine the scope of the audit. The results of internal audit engagements are distributed to management, who provide responses to each finding, including committed dates for actionable items. Internal audit follows up with management on actionable items until they are completed and reports the status of findings quarterly to the HSE Committee of the Board. External compliance verifications have been initiated on the majority of Canadian thermal facilities around greenhouse gas (GHG) compliance. These verifications look at energy input. Verifications that have covered energy use have found no discrepancies to date. In 2021, Capital Power obtained limited assurance on GHGs disclosed in this report based on absolute emissions and emissions intensity from a third-party independent verifier. The internal reviews performed in 2021 did not result in significant findings that required changes to management approach. 2021 Climate Change Disclosure Report > Metrics & targets > p. 7 *HSE Policy*

Disclosure Number	Disclosure Title	2021 Response
GRI 302: Energy		
302-1	Energy consumption within the organization	

Non-renewable energy consumption

2021 Coal Consumption (GJ)	2021 Natural Gas Consumption (GJ)	Total Non-Renewable Energy Consumption
76,736,277	61,686,853	138,423,130

Non-renewable energy consumption by country

Country	2021 Coal Consumption (GJ)	2021 Natural Gas Consumption (GJ)
Canada	76,396,076	29,395,876
U.S.	340,201	32,290,976
Total	**76,736,277**	**61,686,853**

Non-renewable energy consumption by facility

Country	Prov./State	Facility	Type of Facility	2021 Coal Consumption (GJ)	2021 Natural Gas Consumption (GJ)
Canada	Alberta	Halkirk	Wind	0	0
Canada	Alberta	Whitla 1	Wind	0	0
Canada	Alberta	Whitla 1	Wind	0	0
Canada	B.C.	Quality Wind	Wind	0	0
Canada	B.C.	Island Generation	Combined cycle gas	0	4,462,846
Canada	Alberta	Genesee 1 & 2	Coal	44,326,708	4,244,727
Canada	Alberta	Genesee 3	Coal	32,069,369	4,789,742
Canada	Alberta	Genesee Mine	Mining	0	0
Canada	Alberta	Clover Bar	Natural gas	0	4,670,299
Canada	Alberta	Clover Bar LFG	Landfill gas	0	0
Canada	Ontario	East Windsor	Natural gas	0	117,320
Canada	Ontario	York Energy Centre	Natural gas	0	445,296
Canada	Ontario	Goreway	Natural gas	0	10,665,646
Canada	Ontario	Kingsbridge	Wind	0	0
Canada	Ontario	Port Albert	Wind	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0
U.S.	North Carolina	Roxboro	Cogeneration	135,309	0
U.S.	North Carolina	Southport	Combined heat & power	204,892	0
U.S.	Alabama	Decatur Energy Center	Combined cycle gas	0	13,837,264
U.S.	Arizona	Arlington	Natural gas	0	18,453,712
U.S.	New Mexico	Macho Springs	Wind	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0
U.S.	Kansas	Bloom	Wind	0	0
U.S.	North Dakota	New Frontier	Wind	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0
U.S.	Texas	Buckthorn	Wind	0	0
Total				**76,736,277**	**61,686,853**

Renewable energy consumption

2021 Biomass Consumption (GJ)	2021 Landfill Gas Consumption (GJ)	2021 TDF Consumption (GJ)	2021 Total Generation from Waste Heat (GJ)	Total Renewable Energy Consumption
1,186,685	382,253	955,255	0	**2,524,193**

Disclosure Number	Disclosure Title	2021 Response
GRI 302: Energy		
302-1	Energy consumption within the organization	

Renewable energy consumption by country

Country	2021 Biomass Consumption (GJ)	2021 Landfill Gas Consumption (GJ)	2021 TDF Consumption (GJ)
Canada	0	382,253	0
U.S.	1,186,685	0	955,255
Total	**1,186,685**	**382,253**	**955,255**

Renewable energy consumption by facility

Country	Prov./State	Facility	Type of Facility	2021 Biomass Consumption (GJ)	2021 Landfill Gas Consumption (GJ)	2021 TDF Consumption (GJ)
Canada	Alberta	Halkirk	Wind	0	0	0
Canada	Alberta	Whitla 1	Wind	0	0	0
Canada	Alberta	Whitla 2	Wind	0	0	0
Canada	B.C.	Quality Wind	Wind	0	0	0
Canada	B.C.	Island Generation	Combined cycle gas	0	0	0
Canada	Alberta	Genesee 1 & 2	Coal	0	0	0
Canada	Alberta	Genesee 3	Coal	0	0	0
Canada	Alberta	Genesee Mine	Mining	0	0	0
Canada	Alberta	Clover Bar	Natural gas	0	0	0
Canada	Alberta	Clover Bar LFG	Landfill gas	0	382,253	0
Canada	Ontario	East Windsor	Natural gas	0	0	0
Canada	Ontario	York Energy Centre	Natural gas	0	0	0
Canada	Ontario	Goreway	Natural gas	0	0	0
Canada	Ontario	Kingsbridge	Wind	0	0	0
Canada	Ontario	Port Albert	Wind	0	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0	0
U.S.	North Carolina	Roxboro	Cogeneration	460,288	0	333,396
U.S.	North Carolina	Southport	Combined heat & power	726,397	0	621,860
U.S.	Alabama	Decatur Energy Center	Combined cycle gas	0	0	0
U.S.	Arizona	Arlington	Natural gas	0	0	0
U.S.	New Mexico	Macho Springs	Wind	0	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0	0
U.S.	Kansas	Bloom	Wind	0	0	0
U.S.	North Dakota	New Frontier	Wind	0	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0	0
U.S.	Texas	Buckthorn	Wind	0	0	0
Total				**1,186,685**	**382,253**	**955,255**

Electricity, heating, cooling & steam consumption

2021 Consumption	GJ
Electricity	3,928,642
Heating	NA
Cooling	NA
Steam	NA

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>2021 Response</th></tr>
<tr><td colspan="3">GRI 302: Energy</td></tr>
<tr><td>302-1</td><td>Energy consumption within the organization</td><td>Electricity, heating, cooling & steam sold
<table><tr><th>2021 Sold</th><th>GJ</th></tr><tr><td>Electricity</td><td>70,103,739</td></tr><tr><td>Heating</td><td>NA</td></tr><tr><td>Cooling</td><td>NA</td></tr><tr><td>Steam</td><td>NA</td></tr></table>Total energy consumption<table><tr><th>Total Energy Consumption (GJ)</th></tr><tr><td>144,875,965</td></tr></table>2021 ESG Performance > p. 238
Notes:
• Conversion of fuel to GJ based on higher heating value of fuel
• Conversion of MWh to GJ based on 1 MWh = 3.6 GJ (steam enthalpy)
• Net MWh generation (sold electricity) is net “revenue-quality” MWh, unless otherwise noted
• Electricity consumption is based on unit parasitic load (gross generation minus net generation)
• Higher heating value based on fuel analysis or published values</td></tr>
<tr><td>302-3</td><td>Energy intensity</td><td>Energy intensity<table><tr><th>Energy Intensity (MWh)</th></tr><tr><td>7.44</td></tr></table>2021 ESG Performance > p. 238
Notes:
• Organization metric (denominator) is Net MWh
• Fuel inputs are included in the ratio (GJ)
• Only energy consumption within the organization is used to calculate the energy intensity</td></tr>
<tr><td>302-4</td><td>Reduction of energy consumption</td><td>The energy intensity ratio has decreased for our Corporation. The reduction in intensity was largely driven by technology upgrades, increased gas generation and the Genesee 2 outage.
2021 ESG Performance > p. 238</td></tr>
</table>

Disclosure Number	Disclosure Title	2021 Response
GRI 303: Water and Effluents		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > p. 31
103-2	The management approach and its components	Capital Power's Regulatory and Environmental Policy (R&EP) group, in consultation with government relations, is responsible for early identification of emerging regulatory issues as well as proposed and forthcoming regulatory changes, including water-related issues. They work proactively with internal stakeholders at Capital Power to ensure that the corporate growth strategy is executed within the constraints imposed by current and expected environmental policies in Canada and the U.S. The R&EP group: • Provides details about Canadian and U.S. environmental policy initiatives to internal stakeholders; • Leads an internal multi-disciplinary team to develop Capital Power's positions about environmental policies, including water; • Coordinates the analysis of potential environmental regulations and policies on Capital Power's existing assets, new projects and acquisitions; • Represents and advocates Capital Power's environmental policy positions with industry committees, governments and other stakeholders; and • Coordinates regular communication of environmental policy issues and positions. The R&EP group reports regularly to the Executive Team. In 2021, Capital Power developed a water management strategy and will seek to further improve how we use water in our operations on an asset-by-asset basis. To facilitate improvement of the ways in which water is used by, and supplied to, each of our facilities, targets will be set individually for each facility after initial baseline measurements are established in 2022, or as data becomes available through installation of additional measurement infrastructure. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Enhancing the resilience & sustainability of our operations through water management > p. 31 *HSE Policy*
103-3	Evaluation of the management approach	All plants are subject to an internal review process which includes an environmental component, focusing on either a plant's permits and regulatory compliance or a management system approach to reviewing environmental risk management. The internal reviews performed in 2021 did not result in significant findings that required changes to management approach. *HSE Policy*
303-1	Interactions with water as a shared resource	Capital Power plans to incorporate asset-by-asset targets as part of its water management strategy. These targets will be set based on materiality, which includes water stress in the areas that we operate. Standards for the quality and quantity of effluent discharges are determined by applicable regional regulatory agencies. In all cases, our approvals include regulatory requirements which involve studies, limits, monitoring and reporting. We comply with all conditions in our operating water approvals and participate in watershed alliances and regional biomonitoring programs for some of our facilities. Capital Power sits on the Alberta Water Council (AWC) Board (a multi-stakeholder partnership to engage industry, NGOs and governments to achieve the outcomes of the Water for Life strategy) as industry vice president, and is a member of the Canadian Electricity Association (CEA), which advocates for the electricity industry positions to the federal government, including protection of fisheries. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Enhancing the resilience & sustainability of our operations through water management > p. 31
303-2	Management of water discharge-related impacts	The minimum standards for the quality of effluent discharges are determined by applicable regional regulatory agencies in the form of operating water approvals, permits and licenses. In addition to meeting the regulatory thresholds, we continue to explore and utilize best management approaches for clean water for operational efficiencies.

Disclosure Number	Disclosure Title	2021 Response
GRI 303: Water and Effluents		
303-3	Water withdrawal	2021 Water Withdrawal (ML) – 44,214 Notes: • Total includes: surface waters, groundwater, seawater, produced waters and third-party waters • All waters withdrawn were considered to be <1,000 mg/L Total Dissolved Solids • Additional contextual information relating to the provided data is outlined in the sites' operating permits, approvals or licenses issued by the regional regulator or from local water quality objectives
303-4	Water discharge	2021 Water Discharge (ML) – 31,457 Notes: • Total includes: surface waters, groundwater, seawater, produced waters and third-party waters • All waters discharged were considered to be <1,000 mg/L Total Dissolved Solids • Operating approvals, permits and/or licenses identify any "discharge consents" or priority substances to be treated specific to each operational site
303-5	Water consumption	2021 Water Consumption (ML) – 12,757 Notes: • Total includes: surface waters, groundwater, seawater, produced waters and third-party waters • Operating approvals, permits and/or licenses identify any "discharge consents" or priority substances to be treated specific to each operational site • Additional contextual information relating to the provided data is outlined in the sites' operating permits, approvals or licenses issued by the regional regulator or from local water quality objectives. We assume water consumed is equal to water withdrawal minus water discharge.
GRI 304: Biodiversity		
103-1	Explanation of the material topic and its Boundary	We work to minimize our impacts and create long-term sustainability in biodiversity through our activities related to power production and site development. Impacts to biodiversity can occur at any of our sites beyond the immediate footprint. We consider biodiversity from business development to project planning and design, through construction and operations to remediation and final decommissioning, ensuring we minimize impacts to wildlife and the land. 2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Community Engagement > Working with stakeholders to support biodiversity > p. 45
103-2	The management approach and its components	The Environment team is engaged from project development through to decommissioning. Responsibilities around biodiversity are outlined in our *HSE Policy*, *Investment Policy*, *Enterprise Risk Policy* and Management Proxy. Capital Power continues to engage in land reclamation activities to reclaim land no longer needed with respect to the mining operations of the Genesee coal mine. To date, the reclamation work at the Genesee coal mine has returned about 1,124 hectares (35% of the total surface area at the Genesee coal mine) of previously mined area into productive farmland and wildlife habitat. A long-term regional biomonitoring program encompassing the Genesee facilities is one of the largest programs of its kind in Canada. Since 2004, its air, water and wildlife studies have found no significant changes in land, natural water bodies or ambient air quality. 2021 Integrated Annual Report > Community Engagement > Working with stakeholders to support biodiversity > p. 45 *HSE Policy* 2022 Management Proxy Circular
103-3	Evaluation of the management approach	All plants are subject to an internal review process which includes an environmental component, focusing on either a plant's permits and regulatory compliance or a management system approach to reviewing environmental risk management. The internal reviews performed in 2021 did not result in significant findings that required changes to management approach. *HSE Policy*

Disclosure Number	Disclosure Title	2021 Response
GRI 304: Biodiversity		
304-2	Significant impacts of activities, products, and services on biodiversity	In order to reduce impact on wildlife species, we do a number of activities and surveys prior to, during and post-construction of a new project such as a wind facility; however, they vary by jurisdiction, province and state. We conduct various wildlife surveys pre-construction to mitigate impacts, which include: • Amphibian surveys • Raptor surveys • Bird surveys in general, both songbirds and other • Washington ground squirrel and specific surveys are done depending on the geographic area where we are working During construction, we: • Do various bird, amphibian and other "sweeps" • Have a wildlife biologist on site during construction when required • Report to regulators any encounters with species of concern During operation, we conduct bird and bat mortality monitoring. The Company is subject to requirements around minimizing the impact to wildlife at its wind facilities. Capital Power complies with all regulatory requirements, which include completing pre-disturbance bird and bat studies and post-construction bird and bat monitoring programs. 2021 Integrated Annual Report > Community Engagement > Working with stakeholders to support biodiversity > p. 45
304-3	Habitats protected or restored	Information on reclaimed areas is reviewed by the regulatory body and reclamation certificates are issued if the measures are deemed acceptable. The areas described as "fully reclaimed" in this report have either received the reclamation certificates or are in the process of being reviewed.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fully reclaimed[1]	680 (26%)	763 (29%)	847 (31%)	906 (33%)	944 (33%)	984 (34%)	1,056 (35%)	1,118 (36%)	1,124 (35%)	1,231 (37%)	1,298 (39%)
Reclamation in progress[2]	320 (13%)	264 (10%)	298 (11%)	274 (10%)	296 (11%)	322 (11%)	344 (12%)	294 (10%)	351 (11%)	386 (12%)	400 (12%)
Required for safe and efficient mining	1,581 (61%)	1,629 (61%)	1,566 (58%)	1,555 (57%)	1,600 (56%)	1,557 (55%)	1,587 (53%)	1,669 (54%)	1,698 (54%)	1,695 (51%)	1,661 (49%)
Total land	**2,581 (100%)**	**2,656 (100%)**	**2,711 (100%)**	**2,735 (100%)**	**2,840 (100%)**	**2,863 (100%)**	**2,987 (100%)**	**3,081 (100%)**	**3,173 (100%)**	**3,312 (100%)**	**3,359 (100%)**

[1] Fully reclaimed refers to land that is either fully certified, is awaiting final certification from the Alberta Energy Regulator (AER) or is ready for application for certification.

[2] Reclamation in progress means reclamation activities have begun but are incomplete and no application for certification has been filed. The AER sets the standards for reclamation.

Key partners we work with to protect or restore habitat areas include:
• Northern Alberta Institute of Technology (NAIT) Centre for Boreal Research
• Alberta Conservation Association
• Alberta Hunter Education Instructors Association (AHEIA)
• Leduc County
• Olds College
• University of Alberta

GRI 305: Emissions		
103-1	Explanation of the material topic and its Boundary	Capital Power recognizes that reducing carbon and other emissions is essential to creating a sustainable future. We are focused on creating electricity that has a lower environmental impact, including from lower-carbon fuel sources. The boundaries of our impact related to energy are the jurisdictions where we produce power. 2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing emissions within our operations > p. 23

Disclosure Number	Disclosure Title	2021 Response
GRI 305: Emissions		
103-2	The management approach and its components	Responsibilities around energy management are outlined in our *HSE Policy*, *Investment Policy*, Climate Change Disclosure Report, *Enterprise Risk Policy* and Management Proxy. Also see GRI 302-103 (103-2). 2021 Integrated Annual Report > Strategy & Targets > Performance targets for 2022: enhancing shareholder value > pp. 16–17 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing emissions within our operations > pp. 23–24 2021 Climate Change Disclosure Report > Corporate governance > pp. 8–10 *HSE Policy*
103-3	Evaluation of the management approach	See GRI 302-103 (103-3). 2021 Climate Change Disclosure Report > Metrics & targets > p. 7 *HSE Policy*
305-1	Direct (Scope 1) GHG emissions	**Gross direct (Scope 1) GHG emissions** Gross direct GHG emissions (tCO_2e): 10,430,443.01 Biogenic GHG emissions (tCO_2e): 107,463 **GHG emissions by facility**

Country	Prov./State	Facility	Type of Facility	GHG Excluding Biomass & LFG CO_2e (tonnes/yr)	GHG Including Biomass & LFG (tonnes/yr)
Canada	Alberta	Halkirk	Wind	0	0
Canada	Alberta	Whitla 1	Wind	0	0
Canada	Alberta	Whitla 2	Wind	0	0
Canada	B.C.	Quality Wind	Wind	0	0
Canada	B.C.	Island Generation	Combined cycle gas	229,031	229,031
Canada	Alberta	Genesee 1 & 2	Coal	4,357,901	4,357,901
Canada	Alberta	Genesee 3	Coal	3,240,797	3,240,797
Canada	Alberta	Genesee Mine	Mining	38,725	38,725
Canada	Alberta	Clover Bar	Natural gas	238,020	238,020
Canada	Alberta	Clover Bar LFG	Landfill gas	87	11,132
Canada	Ontario	East Windsor	Natural gas	6,038	6,038
Canada	Ontario	York Energy Centre	Natural gas	22,575	22,575
Canada	Ontario	Goreway	Natural gas	540,952	540,952
Canada	Ontario	Kingsbridge	Wind	0	0
Canada	Ontario	Port Albert	Wind	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0
U.S.	North Carolina	Roxboro	Cogeneration	40,939	79,285
U.S.	North Carolina	Southport	Combined heat & power	69,186	127,257
U.S.	Alabama	Decatur Energy Center	Combined cycle gas	707,793	707,793
U.S.	Arizona	Arlington	Natural gas	938,397	938,397
U.S.	New Mexico	Macho Springs	Wind	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0
U.S.	Kansas	Bloom	Wind	0	0
U.S.	North Dakota	New Frontier	Wind	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0
U.S.	Texas	Buckthorn	Wind	0	0
Total				**10,430,443**	**10,537,906**

Disclosure Number	Disclosure Title	2021 Response
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	**GHG emissions by country**

Country	GHG Excluding Biomass & LFG CO_2 (tonnes/yr)	GHG Including Biomass & LFG (tonnes/yr)
Canadian totals	8,674,127	8,685,173
U.S. totals	1,756,316	1,852,733
Total	10,430,443	10,537,906

GHG by fuel type

Emission	GHG Excluding Biomass & LFG CO_2 (tonnes/yr)	GHG Including Biomass & LFG (tonnes/yr)
Coal	6,905,245	7,001,662
Gas	3,486,386	3,486,386
Renewables	87	11,132
	10,391,718	10,499,180

Notes:

- Gases included in gross direct GHG emission calculation include CO_2, CH_4, N_2O and SF_6
- Global warming potential rates used are from IPCC Guidelines (AR4) for Greenhouse Gas Inventories
- We use a combination of mass balance and emission factors in the calculation of CO_2 emissions
- Quantification requirements are dictated by the operational jurisdiction
- Information that was not available for December due to timing of the report was estimated
- This information represents our generation associated with our operating approvals regardless of our financial interest in the facility
- Data from owned capacity at facilities where we do not hold the operating permits is not included in this report
- Organization-specific metric (the denominator) chosen to calculate the ratio: Net MWh

305-2	Energy indirect (Scope 2) GHG emissions	Gross location-based energy indirect (Scope 2) GHG emissions are 47,634.89 tCO_2e for 2021. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing emissions within our operations > p. 26

Notes:

- CO_2 equivalent factors utilized which consider CO_2, CH_4 and N_2O gases
- Base year: 2013
- We use 2013 as the base year as this was the first year we collected data on Scope 2 emissions. Base-year emissions were 2,952 tCO_2e but have not been recalculated based on any significant changes in emissions.
- Calculation used from GHG Protocol Guidance:
  - Emissions (tCO_2e) = Activity Data (MWh) x Emission Factor (tCO_2e/MWh)
- Scope 2 emissions were calculated using the provincial grid average emission factor for power consumption as obtained from the 2021 National Inventory Report for Canada. For facilities outside of Canada, the U.S. EPA eGRID tool was used to locate the balancing authority for the facility location and determine the emission factor for that balancing authority.

Disclosure Number	Disclosure Title	2021 Response
GRI 305: Emissions		

305-3	Other indirect (Scope 3) GHG emissions	Gross other indirect (Scope 3) GHG emissions are 1,320,667 tCO_2e for 2021.
		Notes:
		• We included the CO_2, CH_4 and N_2O gases in our calculation of indirect emissions (Scope 3)
		• The relevant indirect (Scope 3) GHG emission categories and activities that were included in the calculation are as follows:
		  • *Capital goods and purchased goods:*
		  • Total dollars spent includes major capital expenditures and all other goods and services with the exclusion of fuels that are included in Scope 1 emissions, electricity purchases included in Scope 2, purchase of emission offsets, insurance, transmission fees, trading fees, etc.
		  • *Fuel and energy*
		  • Upstream emissions for coal, natural gas, biomass, landfill gas and TDF energy generation
		  • *Upstream transportation*
		  • Transportation emissions associated with transportation at upstream coal facilities
		  • *Waste*
		  • Disposal and recycling emissions associated with fly ash
		  • *Business travel*
		  • Total dollars spent on business travel, including airfare, accommodations and freight/courier
		  • *Employee commuting*
		  • Emissions associated with employee commuting based on the total number of employees
		• Base year: 2018
		  • 2018 was the first year Scope 3 emissions were calculated for a wide range of emission sources
		  • Base-year emissions were not recalculated because the data is not available to restate baseline (2018) emissions. Improved data collection has contributed to some of the differences in numbers disclosed over the past few years.
		• The significant changes that would trigger recalculation of the base-year emissions include:
		  • Downstream transportation emissions (transmission and distribution losses) were determined to be double counted
		  • Emissions associated with the electricity that is lost in T&D are included as Scope 1 emissions (fuel combustion)
		  • Capital goods and purchased goods were expanded to include goods and services beyond major capital purchases. Data is not available to restate baseline (2018) emissions.

Disclosure Number	Disclosure Title	2021 Response
GRI 305: Emissions		
305-4	GHG emissions intensity	**Total GHG emissions intensity** (tCO_2e/MWh): 0.53

GHG intensity by facility

Country	Prov./State	Facility	Type of Facility	GHG Intensity (tonnes CO_2e/MWh)
Canada	Alberta	Halkirk	Wind	0.000
Canada	Alberta	Whitla 1	Wind	0.000
Canada	Alberta	Whitla 2	Wind	0.000
Canada	B.C.	Quality Wind	Wind	0.000
Canada	B.C.	Island Generation	Combined cycle gas	0.394
Canada	Alberta	Genesee 1 & 2	Coal	0.923
Canada	Alberta	Genesee 3	Coal	0.837
Canada	Alberta	Genesee Mine	Mining	0.000
Canada	Alberta	Clover Bar	Natural gas	0.517
Canada	Alberta	Clover Bar LFG	Landfill gas	0.031
Canada	Ontario	East Windsor	Natural gas	0.559
Canada	Ontario	York Energy Centre	Natural gas	0.613
Canada	Ontario	Goreway	Natural gas	0.445
Canada	Ontario	Kingsbridge	Wind	0.000
Canada	Ontario	Port Albert	Wind	0.000
Canada	Ontario	Port Dover & Nanticoke	Wind	0.000
U.S.	North Carolina	Roxboro	Cogeneration	0.717
U.S.	North Carolina	Southport	Combined heat & power	1.176
U.S.	Alabama	Decatur Energy Center	Combined cycle gas	0.401
U.S.	Arizona	Arlington	Natural gas	0.394
U.S.	New Mexico	Macho Springs	Wind	0.000
U.S.	North Carolina	Beaufort Solar	Solar	0.000
U.S.	Kansas	Bloom	Wind	0.000
U.S.	North Dakota	New Frontier	Wind	0.000
U.S.	Illinois	Cardinal Point	Wind	0.000
U.S.	Texas	Buckthorn	Wind	0.000
Total				**0.534**

GHG intensity by country

Country	GHG Intensity (tonnes CO_2e/MWh)
Canadian totals	0.659
U.S. totals	0.275
Total	**0.534**

GHG intensity by fuel type

Emission	GHG Intensity (tonnes CO_2e/MWh)
Coal	0.898
Gas	0.473
Renewables	0.000
	0.534

Notes:

- This intensity includes GHG emissions related to MWh production only and excludes emissions related to the Genesee Mine
- Organization-specific metric (the denominator) chosen to calculate the ratio: Net MWh
- Types of GHG emissions included in the intensity ratio: Scope 1
- Gases included: CO_2, CH_4, N_2O, HFCs, SF_6

Disclosure Number	Disclosure Title	2021 Response
GRI 305: Emissions		
305-5	Reduction of GHG emissions	617,375.34 tonnes CO_2e from the baseline year Notes: • Reduction initiatives include Genesee Performance Standard and co-firing with natural gas • Denominator used is Net Generation (sold MWh) • Gases included: CO_2, CH_4, N_2O • Base year for calculation: 2016 • Reductions are for direct (Scope 1) emissions • Reduction calculations compared the 2016 (base year) GHG intensity and the 2021 GHG intensity and the reduction in intensity was applied to the 2021 generation. It is assumed that any reduction in intensity is due to efficiency improvements and co-firing with natural gas.
305-6	Emissions of ozone-depleting substances (ODS)	We had no ODS emissions in 2021.
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	**Nitrogen oxides (NO_x), sulfur oxides (SO_x) & other significant air emissions**

Parameter	2020 Emissions	Units
NO_x	13,079	Tonnes
SO_2	15,500	Tonnes
Particulate Matter (PM)	603	Tonnes
Mercury	22	kg

Emissions by facility

Country	Prov./State	Facility	Type of Facility	NO_x (tonnes/yr)	SO_2 (tonnes/yr)	Total PM (tonnes/yr)	Hg (kg/yr)
Canada	Alberta	Halkirk	Wind	0	0	0	0
Canada	Alberta	Whitla 1	Wind	0	0	0	0
Canada	Alberta	Whitla 2	Wind	0	0	0	0
Canada	B.C.	Quality Wind	Wind	0	0	0	0
Canada	B.C.	Island Generation	Combined cycle gas	95	1	0	0
Canada	Alberta	Genesee 1 & 2	Coal	10,204	11,965	295	13
Canada	Alberta	Genesee 3	Coal	2,209	2,710	267	9
Canada	Alberta	Genesee Mine	Mining	0	0	0	0
Canada	Alberta	Clover Bar	Natural gas	122	1	0	0
Canada	Alberta	Clover Bar LFG	Landfill gas	6	0	1	0
Canada	Ontario	East Windsor	Natural gas	2	0	0	0
Canada	Ontario	York Energy Centre	Natural gas	12	0	0	0
Canada	Ontario	Goreway	Natural gas	85	3	1	0
Canada	Ontario	Kingsbridge	Wind	0	0	0	0
Canada	Ontario	Port Albert	Wind	0	0	0	0
Canada	Ontario	Port Dover & Nanticoke	Wind	0	0	0	0
U.S.	North Carolina	Roxboro	Cogeneration	76	329	0	0
U.S.	North Carolina	Southport	Combined heat & power	145	481	14	0
U.S.	Alabama	Decatur Energy Center	Combined cycle gas	58	4	9	0
U.S.	Arizona	Arlington	Natural gas	64	5	13	0
U.S.	New Mexico	Macho Springs	Wind	0	0	0	0
U.S.	North Carolina	Beaufort Solar	Solar	0	0	0	0
U.S.	Kansas	Bloom	Wind	0	0	0	0
U.S.	North Dakota	New Frontier	Wind	0	0	0	0
U.S.	Illinois	Cardinal Point	Wind	0	0	0	0
U.S.	Texas	Buckthorn	Wind	0	0	0	0
Total				**13,079**	**15,500**	**603**	**22**

Disclosure Number	Disclosure Title	2021 Response
GRI 305: Emissions		
		Emissions by country

Country	NO_x (tonnes/yr)	SO_2 (tonnes/yr)	Total PM (tonnes/yr)	Hg (kg/yr)
Canadian totals	12,735	14,681	566	22
U.S. totals	343	819	37	0
Total emissions	**13,079**	**15,500**	**603**	**22**

Emissions by fuel type

Emission	NO_x (tonnes)	SO_2 (tonnes)	PM (tonnes)	Hg (kg)
Coal	12,633	15,485	577	23
Gas	439	14	25	0
Renewables	6	0	1	0
Total	**13,079**	**15,500**	**603**	**23**

Notes:

- The majority of these emissions are calculated using direct measurement (Continuous Emissions Monitoring Systems)
- Some parameters are calculated using source emission testing or mass balance
- Where emission factors are utilized, the source of the emission factors is typically source testing or EPA-published emission factors
- Calculation methodologies are dictated by jurisdiction

GRI 306: Waste		
103-1	Explanation of the material topic and its Boundary	We seek opportunities to reduce waste, as appropriate. Waste management helps to limit our environmental impact and can lower risks and costs, but we also see potential opportunities where some waste, like fly ash, is sold in cement production. Our stakeholders and communities close to Capital Power's facilities are interested in how we manage effluent and waste discharge from production as they may be directly impacted through potential water contamination and improper disposal of waste. We see it as our responsibility to manage and reduce any potential impacts resulting from our operations. 2021 Integrated Annual Report > Introduction > About this report > p. 1
103-2	The management approach and its components	We are focused on minimizing waste at each of our operations and at the local level and ensuring compliance with local requirements at a minimum. Applicable data is updated and reported annually, consistent with industry standards and regulatory compliance obligations, and is subject to internal audit processes. In addition, we look for opportunities where we can recycle and/or sell our waste, thereby reducing environmental impact both at our operations and downstream. The environmental program is monitored on a regular basis by the HSE Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Committee's role includes monitoring, advising and making recommendations to the Board of Directors on matters relating to the establishment, maintenance and review of the organization's environmental strategies, goals and policies, the conduct of due diligence, and the achievement of excellent corporate performance. Oversight of the management system is provided by the Board HSE Committee. *HSE Policy* Other relevant policies (not publicly available): *Enterprise Risk Policy* and *Investment Policy*
103-3	Evaluation of the management approach	Mechanisms for evaluating the effectiveness of the management approach are outlined in the policies mentioned. Our internal review process (ISAT), performed annually, looks at processes and procedures regarding environmental risk management and/or compliance at our facilities including (but not limited to): waste management, hazardous material management, storage facilities, materials imported and exported, and chemical and biological control. In 2021 the internal review documented no significant findings and there were no required changes to our management approach. *HSE Policy*

Disclosure Number	Disclosure Title	2021 Response
GRI 306: Waste		
306-1	Waste generation and significant waste-related impacts	At facilities where coal is used as a fuel for power production, waste is generated in the form of bottom ash and fly ash. Bottom ash and fly ash waste is generated as a result of our own activities. Waste must be properly managed to prevent negative impacts to soil, water and air. More than 99% of the fly ash produced at the Genesee Generating Station is captured and put into licensed storage landfills within the adjacent Genesee Mine or sold for use in cement and concrete applications where it increases product quality and decreases emissions.
306-2	Management of significant waste-related impacts	Ash waste is managed internally. A portion of the fly ash generated at the Genesee facility is recycled and sold for use in cement production. Fly ash helps to add strength and increase product longevity of the cement but also helps to reduce GHG emissions and costs associated with cement production. We currently only track ash disposal and recycling at our operational facilities. The ash that is sold to third parties is weighed when it leaves the facility. The remaining ash is loaded into trucks and taken to approved landfill sites, where it is stored and eventually reclaimed. Mine trucks are counted and weighed to determine waste volumes.
306-3	Waste generated	939,641 tonnes Notes: • Data from owned capacity at facilities where we do not hold the operating permits is not included in this report
306-4	Waste diverted from disposal	289,351 tonnes Notes: • Data from owned capacity at facilities where we do not hold the operating permits is not included in this report
306-5	Waste directed to disposal	650,290 tonnes Notes: • Data from owned capacity at facilities where we do not hold the operating permits is not included in this report
GRI 307: Environmental Compliance		
103-1	Explanation of the material topic and its Boundary	Being in compliance and in good standing with the regulators and with the local community, in the areas where we own and operate assets, is paramount to ensure we maintain trust with our stakeholders. Ensuring we are good environmental stewards in our community reduces liabilities and enables us to keep delivering power in the future. Our stakeholders and communities close to Capital Power's facilities are interested in how we manage our site and can be directly impacted; as such, we see it as our responsibility to be good stewards in our community, and to manage and reduce any potential impacts resulting from our operations. 2021 Integrated Annual Report > Introduction > About this report > p. 1
103-2	The management approach and its components	Capital Power manages its HSE risks through a company-wide HSE management system and measures its HSE performance against recognized industry and internal performance measures. Compliance audits are conducted by internal and external auditors to verify that the HSE management program meets the regulatory requirements for the business. Board-approved HSE objectives are established annually to promote Capital Power's HSE stewardship and are measured through the HSE Performance Index. The Index measures performance by using a combination of leading and lagging performance indicators. Where lagging indicators measure the "end results," leading indicators recognize and focus attention on proactive activities and continuous improvement. 2021 Integrated Annual Report > Strategy & Targets > Risk overview > p. 18 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56 HSE Committee Terms of Reference *HSE Policy* Other relevant policies (not publicly available): *Enterprise Risk Policy* and *Investment Policy*
103-3	Evaluation of the management approach	Our internal review process (ISAT), performed annually, looks at processes and procedures regarding environmental risk management and/or compliance of regulations and permits at our facilities. In 2021 the internal review documented no significant findings and there were no required changes to our management approach. *HSE Policy*
307-1	Non-compliance with environmental laws and regulations	There were no fines in 2021.

Disclosure Number	Disclosure Title	2021 Response
GRI 308: Supplier Environmental Assessment		
103-1	Explanation of the material topic and its Boundary	As a large purchaser in the areas where our facilities are located, Capital Power recognizes that environmentally sustainable sourcing has a material environmental impact on the sustainable actions of our suppliers. Benefits to Capital Power from environmentally sustainable sourcing include reduced cost and less risk to our operations and to our supply chain. Capital Power holds our contractors to a high standard and employs environmental inspectors on all development sites to perform ongoing inspections and scheduled audits to ensure compliance with specific contractual and statutory environmental obligations. The boundaries are generally considered to be the activities of suppliers for our operating and under-construction power generation facilities. Capital Power recognizes that the environmental performance of our contractors when not employed in work at our sites is not included in this assessment. 2021 Integrated Annual Report > Introduction > About this report > p. 1
103-2	The management approach and its components	To ensure compliance, we subject contractors employed at our facilities and development sites to ongoing inspections and scheduled audits, and we are also obligated to self-report any non-compliances to the applicable regulators. Information for these self-reports represents Capital Power's disclosure of non-compliance with environmental laws, regulations or approval qualifications imposed during development. Capital Power's approach uses policy, procurement processes and contracting and site management to ensure environmental standards are met by suppliers. The purpose of the management approach is to source suppliers and contractors that deliver optimal value to our construction and operations while also achieving a level of environmental sustainability. In 2021, Capital Power approved a sustainable sourcing strategy which will further its focus on environmental and social matters related to procurement. Procurement Process and Contracting: Our procurement process requires that any prospective supplier verifies that they will read our policy, and our contracts include terms requiring suppliers to adhere to our policies. In addition, any suppliers that do work on our sites are required to comply with a comprehensive set of HSE requirements that include requirements that are specific for the type of materials they are providing and the work they will be doing. Site Management: For those suppliers that conduct work on any of our sites, Capital Power employees monitor certain aspects of the work, which includes compliance with all environmental requirements, policies and work-specific standards. Any supplier not complying will have its work stopped and said work will not recommence unless and until full compliance is achieved. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing risks in our supply chain > p. 32 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
103-3	Evaluation of the management approach	Capital Power is working toward an improved process for evaluating the environmental sustainability impacts of our procurement process. Capital Power has approved a sustainable sourcing strategy, with a framework outlining environmental impacts for 2022 and 2023. Processes and targets to track and monitor suppliers environmental impact will be developed over the time frame.
308-1	New suppliers that were screened using environmental criteria	Construction-related proposals are evaluated against the contractor familiarity with environmental regulations and their plan for meeting those obligations.
308-2	Negative environmental impacts in the supply chain and actions taken	All new suppliers are screened using the methods described in section 103-2 above. There are no known negative impacts in the supply chain.

GRI 400: Social standards

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>2021 Response</th></tr>
<tr><td colspan="3">GRI 401: Employment</td></tr>
<tr><td>103-1</td><td>Explanation of the material topic and its Boundary</td><td>2021 Integrated Annual Report > Introduction > About this report > p. 1
2021 Integrated Annual Report > People > p. 34</td></tr>
<tr><td>103-2</td><td>The management approach and its components</td><td>To ensure fair payment of employees, we follow the employment standards for each Canadian province and the Fair Labour Standards Act (FLSA) in the U.S., as well as the collective agreements for our Canadian union employees. We are undertaking new approaches to hire, retain and engage talent across our organization.
See GRI 402-103.
2021 Integrated Annual Report > People > pp. 34–35, 37–38, 40
2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54
HSE Policy
Ethics Policy
Respectful Workplace Policy
Some internal policies (not publicly available) that help guide our business: Part-time Work Policy, Our Commitment to the Protection of Personal Information and Privacy Policy, Security Policy and Temporary Flexible Workplace Arrangements Policy
The following practices are currently being formalized as policy (not publicly available) to ensure consistent and equitable application: Compassionate Care Leave Policy (paid leave for employees who are caring for a critically ill family member) and Substance Use Disclosure Policy (financial assistance for employees who disclose substance use)</td></tr>
<tr><td>103-3</td><td>Evaluation of the management approach</td><td>2021 Integrated Annual Report > People > pp. 36, 40</td></tr>
<tr><td>401-1</td><td>New employee hires and employee turnover</td><td>New employee hires
<table>
<tr><th></th><th>Number of Permanent New Hires</th><th>As a % of Total Permanent New Hires</th></tr>
<tr><td>New hires</td><td>65</td><td>100.00%</td></tr>
<tr><td>Age group</td><td></td><td></td></tr>
<tr><td>Under 30</td><td>17</td><td>26.15%</td></tr>
<tr><td>30–50 years</td><td>35</td><td>53.85%</td></tr>
<tr><td>Over 50 years</td><td>13</td><td>20.00%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>Men</td><td>45</td><td>69.23%</td></tr>
<tr><td>Women</td><td>20</td><td>30.77%</td></tr>
<tr><td>Region</td><td></td><td></td></tr>
<tr><td>Canada</td><td>54</td><td>83.08%</td></tr>
<tr><td>U.S.</td><td>11</td><td>16.92%</td></tr>
</table>
Employee turnover
<table>
<tr><th></th><th>Number of People</th><th>As a % of Total Turnover</th></tr>
<tr><td>Employee turnover</td><td>122</td><td></td></tr>
<tr><td>Age group</td><td></td><td></td></tr>
<tr><td>Under 30</td><td>18</td><td>14.75%</td></tr>
<tr><td>30–50 years</td><td>48</td><td>39.34%</td></tr>
<tr><td>Over 50 years</td><td>56</td><td>45.90%</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>Men</td><td>105</td><td>86.07%</td></tr>
<tr><td>Women</td><td>17</td><td>13.93%</td></tr>
<tr><td>Region</td><td></td><td></td></tr>
<tr><td>Canada</td><td>43</td><td>35.25%</td></tr>
<tr><td>U.S.</td><td>79</td><td>64.75%</td></tr>
</table></td></tr>
</table>

Disclosure Number	Disclosure Title	2021 Response
GRI 401: Employment		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits which are standard for full-time employees (which includes employees who work 20+ hours in a week in Canada and 30+ hours in the U.S.) but are not provided to temporary employees at our significant locations of operation[1] include: • Life insurance and other optional insurances such as AD&D • Health, dental and vision care • Short- /long-term disability • Maternity/parental leave • Health- and wellness-related reimbursement accounts • Retirement and savings programs • Vacation and paid time-off • Temporary flexible work arrangements • Bereavement • Employee and family assistance programs • Healthcare Advocacy (Best Doctors® and Cigna) • Out-of-country emergency medical • Career milestone recognition [1] Significant locations of operation are anywhere that at least one full-time employee is employed within Canada and the U.S.
401-3	Parental leave	**Total number of employees that were entitled to parental leave, by gender in 2021**

	Number of People	%
Employees entitled to parental leave	728	
Men	530	72.8%
Women	198	27.2%

Total number of employees that took parental leave, by gender in 2021

	Number of People	%
Employees that took parental leave	13	
Men	1	7.7%
Women	12	92.3%

Total number of employees who returned to work in the reporting period after parental leave ended, by gender in 2021

	Number of People	%
Employees that returned to work in the reporting period after parental leave ended	6	
Men	1	16.7%
Women	5	83.3%

Total number of employees who returned to work after parental leave ended who were still employed 12 months after their return to work, by gender in 2021

	Returned in 2019	Returned in 2020	Combined
Number returned	3	3	6
Number still employed after 12 months			
Men	2/66.7%	0/0%	2/33.3%
Women	1/33.3%	3/100%	4/66.7%

Disclosure Number	Disclosure Title	2021 Response
GRI 402: Labor/Management Relations		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > People > p. 34
103-2	The management approach and its components	Employee co-determination is a high priority at Capital Power. Statutory, collective bargaining and company rules are implemented by establishing relationships with employee representatives built on trust. Capital Power's Employee Relations group maintains meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives, and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to Business Partners and management on employment matters and promotes consistency with respect to Capital Power's policies and practices across the organization. While not a signatory to the UN Global Compact (UNGC), our approach takes into account the 10 UNGC Principles in the areas of labour, environment, anti-corruption and human rights. As a company operating in North America, we support and respect internationally proclaimed human rights, framed under the Universal Declaration of Human Rights, and the core labour standards set out by the International Labour Organization. With respect to our unions (see GRI 102-41), we abide by all applicable national and/or local legal requirements and also all requirements outlined in each union's respective collective bargaining agreements, and follow all regulatory requirements. In alignment with the UNGC Human Rights and Labour Principles 1–5, Capital Power prohibits the use of child labour and forced or compulsory labour at all its facilities. 2021 Integrated Annual Report > People > pp. 34–35, 38–40 2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 *HSE Policy* *Ethics Policy* *Respectful Workplace Policy* Some internal policies (not publicly available) that help guide our business: *Part-time Work Policy*, *Our Commitment to the Protection of Personal Information and Privacy Policy*, *Security Policy* and *Temporary Flexible Workplace Arrangements Policy* The following practices are currently being formalized as policy (not publicly available) to ensure consistent and equitable application: *Compassionate Care Leave Policy* (paid leave for employees who are caring for a critically ill family member) and *Substance Use Disclosure Policy* (financial assistance for employees who disclose substance use)
103-3	Evaluation of the management approach	Capital Power's Employee Relations group maintains meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives, and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to Business Partners and management on employment matters and promotes consistency with respect to Capital Power's policies and practices across the organization.
402-1	Minimum notice periods regarding operational changes	Capital Power endeavours to give as much notice to its employees as they can. Depending on the collective agreement and type of situation, the notice period ranges from 24 hours to 28 calendar days. Capital Power operates long-standing merchant and contracted power generation facilities, so significant operational changes that would substantially impact employees would be extremely rare. As such, we do not have notice requirements specific to significant operational changes, but in such a case, would notify affected employees and unions directly as soon as practical. If the change would result in loss of employment, we would abide by relevant terms outlined in collective agreements, and by all state, federal and provincial laws regarding employment notice. In most cases, minimum notice periods and provisions for negotiation/consultation of significant operational changes are not specified in such agreements. Rather, communication of such changes generally occurs as part of the ongoing engagement between the Company and employee representatives.

Disclosure Number	Disclosure Title	2021 Response
GRI 403: Occupational Health and Safety		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > People > Occupational health & safety > p. 41
103-2	The management approach and its components	2021 Integrated Annual Report > People > Occupational health & safety > pp. 41–42 *HSE Policy* Other relevant policies (not publicly available): *Enterprise Risk Policy* and *Investment Policy*
103-3	Evaluation of the management approach	Capital Power's Health, Safety and Environment corporate group is subject to an internal audit every three years where it takes a risk-based approach to determine the scope of the audit. The results of the internal audit's engagements are distributed to management, who provide responses to each finding, including committed dates for actionable items. Internal audit follows up with management on actionable items until they are completed and reports the status of findings quarterly to the HSE Committee of the Board. In 2021, there were three ISAT audits that looked at health and safety as part of the review. 2021 Integrated Annual Report > People > Occupational health & safety > p. 42
403-1	Occupational health and safety management system	Occupational Health and Safety Management System (OHS MS): Requirements are established to review the content and functionality of the OHS MS to ensure there is a functioning and systematic process in place so that risks are identified and managed to achieve the Company HSE goals and objectives. The OHS MS is required to be implemented by legal requirements in various jurisdictions where we operate. The OHS MS is based on recognized risk management and management system standards and in part from ISO 45001: 2018. The scope of workers that fall under the organization's HSE management system include full-time and temporary employees, contractors and subcontractors classified as working under the direction of the organization. Contractors whose work and/or workplace activities are not under the direction of the organization are covered through the organization's Contractor Management Standard that includes robust pre-qualification and selection criteria for qualified contractors. The organization uses ISNetworld, a global resource, to assist with assessing contractor health and safety management systems, worker qualifications, injury statistics, insurance requirements and compliance to jurisdictional regulations. 2021 Integrated Annual Report > People > Occupational health & safety > pp. 41–42

Disclosure Number	Disclosure Title	2021 Response
GRI 403: Occupational Health and Safety		
403-2	Hazard identification, risk assessment, and incident investigation	The organization has a Hazard Identification, Assessment and Control Standard that provides the process for conducting routine and non-routine hazard identification activities, assessing of risks and developing effective controls. The process includes positional, job and field-level hazard assessments. Review and update of these assessments are triggered as part of an incident investigation finding, when new workers or a new process or task is introduced or there is a change in conditions at the field level. These processes are based on both legal requirements and industry guidelines. Instruction in the process includes an understanding of the hierarchy of controls, risk ranking, types of hazard assessments and the audit of hazard assessments by supervision. Training on hazard identification and control is provided to workers through orientations, classroom sessions and e-learning options. Understanding of the training is confirmed through training quizzes and competency is verified through hazard assessment review audits that are conducted by supervisors at regular intervals. Barriers to training and understanding are addressed through various means such as translators, e-learning in Spanish and verbal training and testing where required. Outcomes of these processes are evaluated to determine if there was a management system gap, and areas for corrective action within the management system are identified as either not part of the system, an inadequate standard or inadequate compliance with the standards. Corrective actions are assigned to correct personnel responsible and are tracked to completion. Reporting of work-related hazards and hazardous situations is required by all workers. Reporting is done by directly reporting to a supervisor, safety representative or a Health, Safety and Environment (HSE) Committee member. As part of the policy, workers shall not be disciplined for reporting hazardous conditions or situations. Reports are formally entered into an electronic reporting system and are tracked to closure. The organization has a no retaliation policy and will not tolerate or pursue retaliation of any kind against any individual who reports a violation or ethical concern in good faith. Work refusals are considered incidents and are investigated. Workers have the right to refuse any work they believe in good faith to be unusually dangerous. A work refusal is initiated by the worker, and when initiated in good faith shall not result in discriminatory action. If a worker believes that the assigned work is dangerous, the refusal and the reason for the refusal is promptly reported to the employer or supervisor. The organization has a formal Event Management Standard that requires incidents to be reported and investigated. Outcomes of the investigation must identify the factors that contributed to the incident's occurrence. Corrective actions are identified and implemented to prevent recurrence. Root causes are identified to determine fundamental, underlying, OHS MS-related reasons why the incident occurred and to identify one or more correctable management system failures. Corrective actions are assigned to accountable personnel and are tracked to completion. 2021 Integrated Annual Report > People > Occupational health & safety > pp. 41–42
403-3	Occupational health services	The organization conducts occupational health surveillance in compliance with legal requirements and occupational hygiene practices. Occupational health hazards in the working environment are identified through the formal hazard assessment process. Internal Health and Safety Advisors with professional designation as a Canadian Registered Safety Professional® (CRSP®) or Certified Safety Professional® (CSP®) conduct basic surveillance services for ergonomics, noise, heat stress and assessment of personal protective equipment. External companies with competent individuals with recognized qualifications are utilized for occupational health surveillance in accordance with the hazards of the working environments workers are exposed to. Employees are required to attend the health surveillance testing in accordance with legal requirements. The organization offers onsite services during work hours and offsite services with provision for transportation to the health clinics when needed. Workers are given access to records and will receive all results of testing through the third-party testing provider. Unfavourable results are investigated to determine if additional or more effective controls are required at the workplace to further protect workers. All occupational health records internally and externally held by third parties are managed in accordance with jurisdictional privacy laws and in accordance with the organization's internal privacy procedure and records retention schedule.

Disclosure Number	Disclosure Title	2021 Response
GRI 403: Occupational Health and Safety		
403-4	Worker participation, consultation, and communication on occupational health and safety	Workers at all levels participate in development and review of hazard assessments of their work and/or working environment as well as investigations. Formal Joint Health and Safety Committees (JHSCs) or Health and Safety Representatives are established in accordance with regulations. The committees meet quarterly at a minimum and operate under a formal Terms of Reference that defines roles and decision-making authority. Where trade union agreements or long-term contractors are in place at the worksite, the union and contractor must provide a representative to participate on the JHSC. The JHSC is responsible for: • Managing concerns and complaints about worker health and safety and helping Capital Power respond to worker health and safety concerns; • Participating in the identification of worksite hazards; • Conducting worksite inspections; • Developing, promoting and verifying measures to protect the health and safety of people at the worksite; • Developing and promoting education, training and information programs concerning health and safety; • Cooperating with OHS officers in enforcing the *Health and Safety Act*, participating in investigations of serious injuries and incidents, and maintaining records on all matters relating to the duties of the Committee; • Assist in new employee health and safety orientation; • Assist with the resolution of unsafe work refusals; and • Assist with the development of health and safety policies and safe work procedures. OHS MS requirements are communicated to workers through various methods including, but not limited to: • JHSCs or representatives • Corporate Safety Calendar monthly topics • HSE alerts, and communication through the Zero Means email • HSE bulletin boards • HSE campaigns and awareness presentations • HSE lesson learned bulletins • Intranet, TV screens • Job-specific training • Orientation and onboarding • Safety Moments at the beginning of meetings • Regular scheduled safety meetings • Toolbox talks
403-5	Worker training on occupational health and safety	Mandatory and optional training requirements are determined based on regulatory requirements, by position, by tasks performed and by work-related hazards. Positional hazard assessments identify work-related hazards and establish the training related to the hazard. An established training matrix is used to track all training and the required intervals for retraining. Training is done through various methods such as e-learning, internal or external classroom sessions led by third-party qualified trainers or qualified internal trainers, or through manufacturers on specific equipment. Effectiveness of training is evaluated by the internal training department through a formal documented process. Completion of training is also one of the annual leading indicators included in the HSE Performance Index. A workplace inspections program is in place which includes office, facility and construction inspections. The program also includes Executive Team inspections, focused contractor inspections and contractor inspections during outages. In 2021, virtual instructor-led sessions were held to increase awareness on updates to corporate standards and included Contractor Management, Alcohol and Drug Policy for Leadership, and Investigation 101. Construction and operations crews hold daily safety meetings to review hazards of their tasks and identify additional control measures which may be required.

Disclosure Number	Disclosure Title	2021 Response
GRI 403: Occupational Health and Safety		
403-6	Promotion of worker health	2021 Integrated Annual Report > People > Occupational health & safety > p. 41
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	2021 Integrated Annual Report > People > Occupational health & safety > p. 41
403-8	Workers covered by an occupational health and safety management system	The OHS management system covers all operational and construction sites that the organization owns and operates. All employees and contractors at those sites fall under the management system. As part of the management system, the organization has developed a Contractor Management Standard based on the Construction Owners Association of Alberta's (COAA) Contractor Environment, Health and Safety Management Best Practice (2007). 2021 Integrated Annual Report > People > Occupational health & safety > p. 41
403-9	Work-related injuries	**Corporate performance data for 2021** **Combined employees and contractors (excluding construction projects)** Total Recordable Injury Frequency (TRIF): 0.6 Lost-Time Injury Frequency (LTIF): 0.08 Lost-Time Injury Severity: 0.00 (current employees only – does not include contractors) Fatalities: 0 **Employees (excluding contractors and construction projects)** Fatalities: 0 High-consequence work-related injuries: 0 Recordable work-related injuries: 3, with a TRIF of 0.42 Medical treatment injuries: 3 Lost-time injuries: 0 Exposure hours: 1,442,906 **Contractors only (excluding construction projects)** Fatalities: 0 High-consequence work-related injuries: 0 Recordable work-related injuries: 4, with a TRIF of 0.92 Medical treatment injuries: 2 Lost-time injuries: 1 Modified work: 1 Exposure hours: 873,205 Notes: • The corporate combined TRIF is including all contractors in operations and Capital Power employees. It does not include construction projects. • Work-related injury rates have been calculated based on 200,000 hours worked • The organization tracks contractor incidents but currently does not have a mechanism to track contractor "recovery time" from a work-related injury • The organization reports as one overall corporate statistic using the same criteria for all operational facilities

Disclosure Number	Disclosure Title	2021 Response
GRI 403: Occupational Health and Safety		
403-10	Work-related ill health	**For current employees:** Fatalities from work-related ill health: 0 Recordable cases of work-related ill health: 1 • Noise-induced hearing loss is the main type of worker-related ill health. The organization tracks contractor incidents but currently does not have a mechanism to track contractor work-related ill health in this context. For this disclosure, musculoskeletal disorders are reported under 403-9. • The work-related hazards that pose a risk of ill health include physical agents (noise) and respiratory hazards • Identification of health hazards is done through positional and job hazard assessments, site hazard assessments and identification of chemical hazards associated with the processes or activities conducted within the organization • Exposure to noise – long latency • For each of the health hazards identified by the organization, a subsequent standard lays out the minimum standard requirements for controlling the hazard. Each facility is required to implement associated controls from the standard and in addition must define site-specific procedures and safe work practices to further reduce the potential of exposure to the identified standard. • Controls are implemented based on the hierarchy of controls • The organization tracks contractor incidents of acute, short-latency exposures only and does not have a mechanism in place to track chronic, long-latency exposure cases • The organization reports as one overall corporate statistic using the same criteria for all operational facilities. Construction projects where the organization has control over the workers and worksite are also included in this reporting criteria.
GRI 404: Training and Education		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > People > Leadership & development training > p. 37
103-2	The management approach and its components	We support employee growth through building critical skills and competencies that support the long-term business needs and strategy of the organization, succession planning and progressive management opportunities, providing career development opportunities and driving digital business transformation for the organization through evolving employee roles and skills building. Capital Power's People Services group maintains meaningful work standards, policies and practices consistent with Capital Power's commitment to providing a positive workplace culture for our employee experience, aligned to our business objectives, and maintaining all legal and regulatory requirements in Canada and the U.S. The group provides guidance to management on talent recruitment, training, transitioning and engagement matters, and promotes consistency with respect to Capital Power's policies and practices across the organization. 2021 Integrated Annual Report > People > Leadership & development training > p. 37 *HSE Policy* *Ethics Policy* *Respectful Workplace Policy* Other relevant policies (not publicly available): *Part-time Work Policy*, *Our Commitment to the Protection of Personal Information and Privacy Policy*, *Security Policy* and T*emporary Flexible Workplace Arrangements Policy*
103-3	Evaluation of the management approach	Capital Power uses a series of employee performance assessment tools and participant feedback surveys to determine the effectiveness of our training and education programs, including: • Employee Skills Inventory (360 Assessment) • Voices 360-Degree Assessment • ViaEdge Assessment

GRI 404: Training and Education

404-1 Average hours of training per year per employee

	Training Hours	Average Hours per Employee
Organization (Total)	**21,442.00**	**23.06**
CEO	18.00	18.00
SVP	101.00	16.91
Senior leadership	2,472.00	22.44
Frontline leadership	2,833.00	27.50
Individual contributor	14,427.00	26.33
Contingent worker	1,591.00	9.88
Men	17,673.00	25.58
Women	3,749.00	15.88

404-2 Programs for upgrading employee skills and transition assistance programs

2021 Integrated Annual Report > People > Leadership & development training > p. 37

404-3 Percentage of employees receiving regular performance and career development reviews

	Eligible	Men	Women
Permanent employees eligible	559	383/68.52%	176/31.48%

	Not Eligible	Men	Women
Permanent employees (worked less than 3 months)	9	4/44.44%	5/55.56%
Union	150	139/92.67%	11/7.33%

Notes:

- Executives go through a separate performance evaluation in February. They are not counted as eligible.

GRI 405: Diversity and Equal Opportunity

103-1 Explanation of the material topic and its Boundary

Diversity is a business priority that is fundamental to our competitive success.

We respect and value the diversity among Capital Power's employees and all our stakeholders who we engage with. We expect our leaders to foster a work environment free of all forms of discrimination and harassment.

2021 Integrated Annual Report > Introduction > About this report > p. 1

2021 Integrated Annual Report > People > Equity, diversity & inclusion > p. 34

103-2 The management approach and its components

2021 Integrated Annual Report > People > Equity, diversity & inclusion > pp. 34–35

103-3 Evaluation of the management approach

To evaluate the effectiveness of our approach to managing diversity and equal opportunity, we track gender diversity across the organization, as well as lateral moves and promotions.

To evaluate the effectiveness of our diversity and inclusion training, we request participants complete workshop evaluations.

To evaluate the effectiveness of attracting diverse candidates, we track our diverse candidate interviews and hires.

Disclosure Number	Disclosure Title	2021 Response
GRI 405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	

Board of Directors

Board of Directors	Number of People	%
Men	5	56%
Women	4	44%

Board of Directors	Number of People	%
Under 30 years old	0	0%
30–50 years old	1	11%
Over 50 years old	8	89%

Board of Directors	Number of People	%
Canada	6	67%
United States	3	33%

Employees

Total Employees	Number of Men	%	Number of Women	%
Executive	4	57%	3	43%
Upper management	85	77%	26	23%
Professional	178	61%	113	39%
Administrative	1	3%	36	97%
Operations	246	93%	18	7%
Traders	16	89%	2	11%

Employees

Total Employees	Under 30 Years	%	30–50 Years	%	Over 50 Years	%
Executive	0	0%	1	14%	6	86%
Upper management	0	0%	68	61%	43	39%
Professional	29	10%	214	74%	48	16%
Administrative	3	8%	26	70%	8	22%
Operations	16	6%	145	55%	103	39%
Traders	3	17%	15	83%	0	0%

Total Employees	Canada	%	United States	%
Executive	6	86%	1	14%
Upper management	98	88%	13	12%
Professional	277	95%	14	5%
Administrative	36	97%	1	3%
Operations	217	82%	47	18%
Traders	18	100%	0	0%

Notes:

- The CEO is included in executive and Board of Directors representation. Age is based on the employees age on December 31, 2021.
- Data was gathered on December 31, 2021, using our People Service IS System. “Employees” includes all permanent employees, and excludes pensioners and employees on long-term disability (LTD).

<table>
<tr><th>Disclosure Number</th><th>Disclosure Title</th><th>2021 Response</th></tr>
<tr><td colspan="3">GRI 405: Diversity and Equal Opportunity</td></tr>
<tr><td>405-2</td><td>Ratio of basic salary and remuneration of women to men</td><td>Ratio of basic salary
<table><tr><th></th><th>Ratio Basic Salary</th></tr><tr><td>Executive</td><td>Women earned $78 per $100 earned by men</td></tr><tr><td>Upper management</td><td>Women earned $92 per $100 earned by men</td></tr><tr><td>Professional</td><td>Women earned $97 per $100 earned by men</td></tr><tr><td>Administrative</td><td>Women earned $115 per $100 earned by men</td></tr><tr><td>Operations</td><td>Women earned $80 per $100 earned by men</td></tr><tr><td>Traders</td><td>Women earned $102 per $100 earned by men</td></tr></table>Ratio of remuneration
<table><tr><th></th><th>Ratio of Remuneration</th></tr><tr><td>Executive</td><td>Women earned $62 per $100 earned by men</td></tr><tr><td>Upper management</td><td>Women earned $89 per $100 earned by men</td></tr><tr><td>Professional</td><td>Women earned $96 per $100 earned by men</td></tr><tr><td>Administrative</td><td>Women earned $114 per $100 earned by men</td></tr><tr><td>Operations</td><td>Women earned $80 per $100 earned by men</td></tr><tr><td>Traders</td><td>Women earned $100 per $100 earned by men</td></tr></table></td></tr>
<tr><td colspan="3">GRI 406: Non-discrimination</td></tr>
<tr><td>103-1</td><td>Explanation of the material topic and its Boundary</td><td>2021 Integrated Annual Report > Introduction > About this report > p. 1
2021 Integrated Annual Report > People > Equity, diversity & inclusion > p. 34</td></tr>
<tr><td>103-2</td><td>The management approach and its components</td><td>In addition to an annual review of the Ethics Policy and Respectful Workplace Policy, an outreach and communications plan was developed in 2021, taking into consideration the training initiatives on workplace discrimination, harassment, sexual harassment and workplace violence. A comprehensive review of Capital Power's Internal Compliance Plan and all associated procedures and processes was conducted in 2021, including areas related to respectful workplace issues. A dynamic risk-based assessment is used to monitor compliance risk associated with major compliance risk areas, including areas related to respectful workplace issues.
See GRI disclosures: 102-41, 401-103, 402-103, 405-103
2021 Integrated Annual Report > People > Equity, diversity & inclusion > pp. 34–35
2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54
2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
Ethics Policy
Respectful Workplace Policy
HSE Policy</td></tr>
<tr><td>103-3</td><td>Evaluation of the management approach</td><td>Training on each policy element is provided to all employees and major contractors on a biennial basis, at a minimum, unless circumstances precipitate that training be provided more frequently and on a specific topic or area. In 2021, as part of this year's Corporate Compliance Program, we reviewed our Internal Compliance Plan, including our policy and procedures related to the Respectful Workplace Policy and associated communications and training.
2021 Integrated Annual Report > People > Equity, diversity & inclusion > pp. 34–35
2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
Ethics Policy
Respectful Workplace Policy</td></tr>
<tr><td>406-1</td><td>Incidents of discrimination and corrective actions taken</td><td>In 2021, we investigated three reports, with one case substantiated and appropriate corrective action taken.</td></tr>
</table>

Disclosure Number	Disclosure Title	2021 Response
GRI 413: Local Communities		
103-1	Explanation of the material topic and its Boundary	See GRI 413-2 for impact details. 2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Community Engagement > Stakeholder engagement > p. 44
103-2	The management approach and its components	Our Stakeholder Engagement Standards and Practices Guide ("Engagement Guide") outlines our approach to stakeholder engagement and provides procedures, tools and options to implement at any phase of a project's life cycle (development, construction, operations, decommissioning). The Engagement Guide outlines a management process that provides a high degree of coordination between project team members and is scalable to specific project engagement requirements (i.e., environmental assessments, license renewals, etc.). This document is updated and evaluated from time to time, generally after completing milestones of significant engagement processes. Capital Power's community investment process (community funding) often complements this project-specific work, helping to further build a foundation for strong community relations. The Engagement Guide outlines team accountabilities for a range of stakeholder engagement initiatives. The overall program is managed by Stakeholder Engagement staff, who have accountabilities to the project manager. A range of specialists (environment, engineering, operations, etc.) are often involved in stakeholder engagement processes to ensure stakeholders have accurate information. Similarly, the Indigenous Relations Handbook identifies roles that will be necessary to support positive and productive relationships over time with Indigenous communities and is managed jointly by stakeholder engagement and business development or operations. The community investment program is managed by our Community Relations team who engage facility managers and other internal key parties as required. Community Relations develops annual plans together with facility managers and key community contacts. This collaborative approach ensures that we are aligning our community support program with the individual needs of the local communities. For external engagement, depending on the nature of the concern raised, additional time may be taken to address issues. As needed, Stakeholder Engagement staff will access other subject matter experts to address concerns. Decisions regarding grievances or concerns with our facilities are made by senior management with accountabilities for those facilities, with input from Stakeholder Engagement and other subject matter experts as required. Our community investment program supports the communities that are geographically close to our operations or in a specific region that our facility is a part of. Programs, events and organizations that provide a direct benefit to the residents and visitors of these communities are considered for support. Annually, we develop plans for delivering community investment resources to communities where we operate. This is an iterative process, incorporating learnings from previous years and considering support for new initiatives and projects based on our understanding of community needs. The plans are enhanced through meetings with key operations staff and facility managers who have knowledge of the communities or who directly supervise staff who live in or near these communities. The approved plans serve as a general guideline for community investment activities, with allowances made for responding to new and emerging needs (i.e., COVID-19). 2021 Integrated Annual Report > Community Engagement > pp. 44, 47, 49–50 *Ethics Policy* See Transparency and Disclosure (TND) – GRI 103-2.

Disclosure Number	Disclosure Title	2021 Response
GRI 413: Local Communities		
103-3	Evaluation of the management approach	Capital Power's stakeholder engagement approach is enhanced and improved through ongoing evaluations of specific engagement projects and lessons learned once these projects have achieved certain milestones (for example, receiving a regulatory approval). The Engagement Guide provides a framework of questions to conduct these evaluations. These assist project teams in assessing the stakeholders engaged, the quality of the information provided, the effectiveness of communication channels, feedback received and how this was used. Our community investment approach is evaluated in both an ongoing and annual process. On an ongoing basis we assess the impact of our support and how it assisted groups in achieving their stated goals. In some cases, the level of corporate recognition received is also assessed. Annual plans for community investment in our operating communities are developed and discussed with our operations managers. This process allows us to assess the effectiveness of funding opportunities in the year previous. Changes are made to future plans based on ongoing evaluations of the community need and any arising issues. Our standard is to debrief and conduct a "lessons learned" exercise to capture aspects that can help improve our practices, ensuring that these reflect current realities and evolve with stakeholder interests. 2021 Integrated Annual Report > Community Engagement > pp. 46–47
413-1	Operations with local community engagement, impact assessments, and development programs	All our operations are covered by some form of local engagement program or process the Company manages, whether through community investment, direct engagement with stakeholders, issue management or direct dialogue between facility staff and local area stakeholders. 2021 Integrated Annual Report > Community Engagement > Stakeholder engagement > pp. 44–47
413-2	Operations with significant actual and potential negative impacts on local communities	Capital Power's business activities impact communities and stakeholders in positive and negative ways. Positive impacts often include local employment, contracting and use of local services especially during construction and maintenance periods, sources of taxation for local governments, local sponsorships and community investment support, the development of new sources of local renewable energy, and reliable electricity generation. Negative impacts may include emissions from our facilities, energy transition employment decreases, disruptions due to construction (dust, noise, traffic) or operational activities (noise, lighting), visual impacts, and effects on wildlife and environment (ground and vegetation disturbance).
GRI 414: Supplier Social Assessment		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Ensuring supplier compliance > p. 32
103-2	The management approach and its components	Our procurement process requires that any prospective supplier verifies that they will meet our *Ethics Policy*, and our contracts include terms requiring suppliers to adhere to our policies. For those suppliers that conduct work on any of our sites, Capital Power employees monitor certain aspects of the work, which includes compliance with the *Ethics Policy*. Any supplier not complying will have its work stopped and said work will not recommence unless and until full compliance is achieved. Each employee who is managing a supplier is required to review the safety grade of our suppliers prior to engaging in business with the supplier. We use a third-party safety program to assess suppliers' safety ratings. If a supplier is below a target number we require senior management approval to work with the supplier. The Supply Chain and Health, Safety and Environment departments review our suppliers. Capital Power's *Ethics Policy* and *HSE Policy* are required to be followed by our suppliers and distributed as part of our purchasing requirements and processes. The purchasing process provides clear guidance for how purchases are to be conducted within the organization and provides our suppliers guidance on how to conduct business with Capital Power. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Ensuring supplier compliance > p. 32 See Ethics and Integrity – GRI 102-16 and 102-17 and Transparency and Disclosure (TND) – 103-2. *Ethics Policy* *HSE Policy*
103-3	Evaluation of the management approach	Capital Power is working toward an improved mechanism for evaluating the social and sustainability impacts of our procurement process. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Ensuring supplier compliance > p. 32

Disclosure Number	Disclosure Title	2021 Response
GRI 414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Ensuring supplier compliance > p. 32
414-2	Negative social impacts in the supply chain and actions taken	2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Ensuring supplier compliance > p. 32
GRI 415: Public Policy		
103-1	Explanation of the material topic and its Boundary	As a wholesale power generator, and an independent power producer, our operations have direct and indirect environmental and social impacts. Accordingly, we advocate directly with government and participate in relevant policy and regulatory processes with non-governmental entities and through trade associations to promote and develop with a view to creating long-term sustainable outcomes for society and our business. 2021 Integrated Annual Report > Introduction > About this report > p. 1
103-2	The management approach and its components	Capital Power has a dedicated Government Relations, Regulatory and Environmental Policy team that is responsible for managing and representing Capital Power's interests with respect to market, transmission and environmental policy, rules and legislation relevant to Capital Power's existing and prospective operations. In support of these efforts, Capital Power employs dedicated teams of internal and external subject matter experts to evaluate issues of concern and determine the materiality of operational, environmental, economic and social impacts. The responsibility for public policy matters resides with the Senior Vice President, Planning, External Relations and Chief Sustainability Officer, who provides regular updates on significant or material regulatory and policy matters to the Executive Team and the Board. The Vice President, Government Relations, Regulatory & Environmental Policy (GRREP) reports directly to the SVP/CSO and is responsible for the team that engages in public policy processes in Capital Power's Canadian and U.S. markets. This SVP/CSO provides regular updates on significant or material regulatory and policy matters to the Executive Team and the Board. *Ethics Policy* *Respectful Workplace Policy*
103-3	Evaluation of the management approach	Management's approach is regularly assessed on the extent to which public policy decisions reflect or incorporate input provided by Capital Power, taking into account several considerations, including but not limited to extent of Capital Power's presence or operations in relevant market(s), significance of policy to applicable government(s) and the range of stakeholder views that may exist on any particular issue.
415-1	Political contributions	We do not make any monetary contributions for political purposes. Our engagements with public officials are disclosed in accordance with all applicable federal, state and municipal laws.
GRI 419: Socioeconomic Compliance		
103-1	Explanation of the material topic and its Boundary	Data on assets we own as part of a joint venture (JV) arrangement, with compliance requirements managed by the JV partner, are not included in this report. 2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
103-2	The management approach and its components	Capital Power operates within seven regulatory markets within North America and ensures our operations meet regulatory compliance requirements in those various jurisdictions. We are subject to internal and regulatory inspections and audits, and we are also obligated to self-report any non-compliance to the applicable regulatory authority. Capital Power is committed to disclosing events of non-compliance to regulators. The Compliance and Ethics team is led by a Chief Compliance Officer and includes two Directors, Regulatory Compliance, and two compliance analysts, with regulatory compliance requirements supported by plant operations, real-time operations, engineering and security, as required. In 2021, we conducted a comprehensive review of Capital Power's Internal Compliance Plan and all associated procedures and processes, including areas related to regulatory compliance. 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56 2021 Annual Information Form > Regulatory overview > pp. 51–55 *Ethics Policy*

Disclosure Number	Disclosure Title	2021 Response
GRI 419: Socioeconomic Compliance		
103-3	Evaluation of the management approach	Self-reports on non-compliance issues, including analysis on root causes, are used to assess trends and risks, with mitigating activities implemented to prevent future recurrence. Monthly surveys are conducted with plant operations to assess risk and ensure that events are addressed as soon as feasible, with risks assessed in real-time. Results on material issues are communicated to the Audit Committee on a quarterly basis, with major changes to Capital Power's regulatory obligations also communicated. Results on compliance contraventions and stats on self-reports are communicated to the Audit Committee through the Chief Compliance Officer's Annual Report. Root cause analysis and mitigating activities are communicated to management, as required, and training developed to ensure understanding of regulatory compliance requirements, as required. As circumstances dictate, updates and/or revisions are made to policies, procedures and/or practices to mitigate risks. In addition, training and additional controls are put in place to educate staff on such updates and/or revisions and emerging regulations and associated requirements. To ensure compliance, we are subjected to internal and regulatory inspections and audits, and we are also obligated to self-report any non-compliance events to the applicable regulators. A dynamic risk-based assessment is used to monitor compliance risk associated with major compliance risk areas, with a periodic legal review for completeness.
419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area were levied in 2021.
Innovation (INN)		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > p. 23
103-2	The management approach and its components	Innovation in thermal and renewable power generation is the process of finding solutions that allow Capital Power to meet carbon reduction targets and will transform our fleet into integrated, autonomous and sustainable power generation facilities of the future. Innovation spend is defined as annual capital and operating expenditures that: • Increase data digitalization, availability and connectivity to enable information-based decisions; • Advance innovative solutions that contribute to Capital Power's carbon reduction target such as carbon capture utilization or sequestration, hydrogen and direct air capture technologies or projects; • Advance storage technologies or projects where the application of the technology is innovative or unique; and • Advance innovative solutions that minimize our impact to air, water, waste and land. Innovation includes both investment in and support for new technologies as well as continuously improving existing systems and processes. Operations and engineering are responsible for ensuring plants are built and operated in the most efficient manner and are always looking to implement innovative technological solutions to reduce our carbon footprint, enhance reliability and increase renewables generation. Several resources have been committed to the deployment of Capital Power's innovative projects such as the Genesee Carbon Conversion Centre (GC^3), Ops 2030, CCS, batteries and ash beneficiating. Engineering, operations, commercial and finance all dedicate resources to investigate, assess, develop and implement innovation across Capital Power's fleet. Our technology investments are governed by the Opportunity to Asset Integration (O2AI) process, and each investment moves through stage gates of internal review and is ultimately approved by the Board of Directors before deploying capital. Ongoing capital investments at existing facilities are managed through our Project Execution Process which includes project implementation reviews. 2021 Integrated Annual Report > Governance & Ethics > Corporate governance > p. 52 2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > pp. 23, 27, 30 *Ethics Policy*
103-3	Evaluation of the management approach	2021 Integrated Annual Report > Progress on Our Road to Decarbonization > pp. 23, 26

Disclosure Number	Disclosure Title	2021 Response
Asset Security (ASE)		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > p. 29
103-2	The management approach and its components	The security team manages the policies and procedures. All new employees and contractors are subject to various levels of background screening and are required to complete online security training. They also have access to an internal website that houses information and awareness tips on various security topics. Incidents that require third-party reporting, such as regulatory entities or law enforcement response, are captured in documents such as the EOP-004 Event Reporting Procedure, Emergency Site Plans and Site Security Plans (CIP-003). All employee investigations must be approved by our Human Resources or Ethics & Compliance departments, and security provides support to both departments as required. Employees and contractors are trained to report all security-related incidents through one of the many available reporting paths. Having this as an important part of our culture has made this the focus of our Security Management Program. The security management program, which includes asset protection, is maintained annually and is updated whenever there is a change to law, regulations or industry best practices. We also have an internal *Security Policy* in place that reinforces our commitment to provide a safe and secure work environment for our employees, contractors, visitors and the people in the communities in which we work and live. This policy is approved by Capital Power leadership, and is supplemented by numerous standards, procedures and guidelines to reflect our ongoing obligation toward asset protection. 2021 saw the review of: • Site Security Plans, including a threat response plan, at all operating sites • Emergency Response Plans (updated once a year for all sites) • EOP-004 Event Reporting Procedure (updated once per year, at all sites) • Business Continuity Plans (updated once per year) • Policies and procedures (updated once per year) 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > pp. 29–30 2021 Integrated Annual Report > Governance & Ethics > Corporate governance > p. 52 2021 Integrated Annual Report > Governance & Ethics > Sustainability governance > p. 54 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56 *Ethics Policy* Important internal policies, programs and plans that also guide our approach (not publicly available): Security Policy Statement, Access Control Procedure, Personal Risk Assessment Procedure, Threat Response Plans, Emergency Response Plans and Site Security Plans
103-3	Evaluation of the management approach	Capital Power has an internal risk profiling tool that assigns risk rankings (1–5) to every operational location. Associated with the risk ranking process are specific recommended physical security measures to assist in mitigating the risk and protect assets. These include mitigation strategies such as electronic access control, video surveillance systems, Intrusion Detection Systems (IDS), fencing, signage and uniformed security personnel. As part of our internal ISAT reviews, each site is audited on a pre-determined schedule by a certified physical security practitioner to ensure that all recommended physical security mitigations are in place and working as intended. If gaps are identified, recommendations go to management for implementation of mitigations and/or improvements with existing systems.

Disclosure Number	Disclosure Title	2021 Response
Disaster Relief and Resiliency Plans (DRR)		
103-1	Explanation of the material topic and its Boundary	Disaster impacts can occur at all Capital Power operating sites and projects. Our emergency management program reinforces our commitment to business resiliency for our employees, contractors, visitors and people in the communities in which we work and live. 2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > p. 29 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
103-2	The management approach and its components	Disaster relief and resiliency is managed by the Emergency Management Plan which includes: a site-specific Emergency Response Plan for all Capital Power sites, a Business Continuity Plan for all corporate departments, a risk-based all-hazards assessment for all Capital Power sites and a Capital Power Crisis Management Plan to respond to emergency situations for all sites that are outside of their operational capacity. The emergency management program exists to reduce the risk to people and assets before and during a disaster, to help mitigate the effects of the disaster on operations, and to assist with recovery efforts to resume normal operations. The emergency management program is based on two voluntary standards: Canadian Standards Association Z1600 – Emergency Management and Business Continuity (Canada) and National Fire Protection Association 1600 – Standard on Disaster/Emergency Management and Business Continuity (U.S.). To ensure the Plan is accessible, up-to-date and contains the correct information, a basic emergency management dashboard is currently being utilized. In additional, all Emergency Management Plans in place have a section outlining specific responsibilities of plan owners, plan administrators and plan participants. Emergency Response Plans (ERPs) are updated once a year for all sites, Business Continuity Plans are updated once per year and the Crisis Management Plan is updated annually (unless changes to staffing or assets require additional updating). ERPs are created and maintained at all Capital Power sites. The ERP assists with responding to emergency situations when they occur and includes procedures for notifying third parties such as residents, regulatory bodies, government groups and emergency responders. Any mutual aid agreements would be either included or referenced in the ERP to allow for easy access during a crisis. Another relevant program includes the security management program. *Ethics Policy* *HSE Policy* Internal policies (not publicly available) that also guide our activities: *Security Policy* 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
103-3	Evaluation of the management approach	We use incident debriefings that include root cause analysis and corrective actions. Corrective actions are assessed and recorded. Any improvements found on processes and procedures are implemented as soon as practical. A new Security Incident Matrix has been developed that identifies the criticality of reported incidents.

Disclosure Number	Disclosure Title	2021 Response
Cybersecurity (CSE)		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > p. 29 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56
103-2	The management approach and its components	As a baseline, we continue to: • Adhere to stringent change management controls to ensure systems are implemented in a secure manner • Project deployment controls that include cyber-security reviews • Document and regularly test processes for disaster recovery and cyber incident response • Provide end-user (employee) awareness training • Deploy and maintain enterprise-level malware and anti-virus systems • Complete regular internal and external system audits • Scan the environment for vulnerabilities • Alert/monitor for critical security events • Conduct independent third-party penetration tests We continue to conduct regular third-party independent assessments of not only our security controls, but also technical configurations to ensure our security posture aligns with industry best practices so risks are known and mitigated appropriately. Focused on the business network, in 2021 we conducted additional third-party validation in several areas including: • Ransomware readiness assessment, with a focused technical assessment • End-point security • Cloud • Backups In addition, we belong to the Canadian Centre for Cyber Security, the U.S. Department of Homeland Security – National Cyber Awareness System/Industrial Control Systems Cyber Response Team Advisory, and the Electricity Information System Sharing and Analysis Center. We receive alerts on cyber events from these organizations. Capital Power is a member of the Canadian Electricity Association (CEA) and has members sit on the executive as well as acting in the role of subject matter experts on the Security and Information Protection Committee (SIPC). In addition, resources within Capital Power hold specific Cyber Security certifications including CISSP, CISSP-ISSAP, CISM and CISA. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > p. 29 2021 Integrated Annual Report > Governance & Ethics > Ethics & integrity > pp. 55–56 *Records Management Policy* *Privacy Policy for Customer Information* *Ethics Policy*
103-3	Evaluation of the management approach	Third-party validation is completed, and routine audits are conducted throughout the year to verify our systems. To minimize the risk in our systems, we have a robust patching strategy to ensure our systems are evaluated and updated with the latest security updates.

Disclosure Number	Disclosure Title	2021 Response
Transparency and Disclosure (TND)		
103-1	Explanation of the material topic and its Boundary	2021 Integrated Annual Report > Introduction > About this report > p. 1 Website > Financial Reporting See GRI 102-46.
103-2	The management approach and its components	Demonstrating our commitment to integrating ESG and financial disclosure, Capital Power will publish its third Integrated Annual Report in February 2022. We also report to the Carbon Disclosure Project (CDP). Capital Power publishes an annual Climate Change Disclosure Report (CCDR), aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework. In 2021, sustainability performance (health, safety, environment, diversity, reporting, etc.), including ESG disclosures, formed 25% of the Executive Team's short-term performance objectives. We are a member of the Canadian Coalition on Good Governance. 2021 Integrated Annual Report > Strategy & Targets > Performance targets for 2022: enhancing shareholder value > p. 16 2021 Integrated Annual Report > Governance & Ethics > pp. 52, 55–56 See Ethics and Integrity – GRI 102-16 and 102-17. The *Disclosure and Insider Trading Policy* (not publicly available) guides our activities.
103-3	Evaluation of the management approach	The internal control systems are monitored by management and evaluated by an internal audit function that regularly reports its findings to management and the Audit Committee of the Board of Directors. The Board recognizes the need for increased ESG disclosures and the importance of this information to our external stakeholders. 2021 Integrated Annual Report > Strategy & Targets > Performance targets for 2022: enhancing shareholder value > p. 16

SASB index

Accounting Metric	Category	Unit of Measure	Code	Disclosure Response
Greenhouse Gas Emissions				
(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Quantitative	Metric tons (t) CO_2-e, Percentage (%)	IF-EU-110a.1	Scope 1 emissions (tCO_2e): 10,430,443 Percentage of Scope 1 emissions covered under emissions-limiting regulations: 83% Percentage of Scope 1 emissions covered under emissions-reporting regulations: 100%
Greenhouse gas (GHG) emissions associated with power deliveries	Quantitative	Metric tons (t) CO_2-e	IF-EU-110a.2	See GRI 305-1.
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	NA	IF-EU-110a.3	Responsibilities around energy management are outlined in our *HSE Policy*, *Investment Policy*, Climate Change Disclosure Report, *Enterprise Risk Policy* and Management Proxy. See GRI 302-103 (103-2) and GRI 305-103 (103-2). 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Reducing emissions within our operations > pp. 23–26 2021 Climate Change Disclosure Report > Corporate governance > pp. 11–15 *HSE Policy* 2022 Management Proxy Circular
Air Quality				
Air emissions of the following pollutants: (1) NO_x (excluding N_2O), (2) SO_x, (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population	Quantitative	Metric tons (t), Percentage (%)	IF-EU-120a.1	**Air emissions and the percentage of each in or near areas of dense population** Air emissions: NO_x 13,079 tonnes/yr; SO_2 15,500 tonnes/yr; Total PM 603 tonnes/yr; HG 22 kg/yr % near areas of dense population: 5%; 5%; 7%; 0%
Water Management				
(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m^3), Percentage (%)	IF-EU-140a.1	See GRI 303-3 and GRI 303-5. According to the WWF water risk filter, the only facility in a region with High or Extremely High Baseline Water Stress is our Arlington facility. Arlington withdrew 2,583 ML (5.8% of total water withdrawals) of water in 2021.
Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Quantitative	Number	IF-EU-140a.2	There were no fines in 2021.
Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	NA	IF-EU-140a.3	We use water at our thermal generation facilities for two major purposes: cooling and steam production. In general, our steam systems are close-looped to conserve water. Cooling water systems are similar but may withdraw from and discharge to a local water source. Sources of water for our operations include municipal, recycled, groundwater and surface. Most of our water consumption occurs where our thermal operations are located.

Accounting Metric	Category	Unit of Measure	Code	Disclosure Response
Water Management				
				Standards for the quality and quantity of effluent discharges are determined by applicable regional regulatory agencies. In all cases, our approvals include regulatory requirements which involve studies, limits, monitoring and reporting. We comply with all conditions in our operating water approvals, and participate in watershed alliances and regional biomonitoring programs for some of our facilities. Capital Power sits on the Alberta Water Council (AWC) Board (a multi-stakeholder partnership to engage industry, NGOs and governments to achieve the outcomes of the Water for Life strategy) as industry vice president, and is a member of the Canadian Electricity Association (CEA), which advocates for the electricity industry positions to the federal government, including protection of fisheries. 2021 Integrated Annual Report> Progress on Our Road to Decarbonization > Enhancing the resilience & sustainability of our operations through water management> p. 31
Coal Ash Management				
Amount of coal combustion residuals (CCR) generated, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	IF-EU-150a.1	See GRI 306-3, GRI 306-4 and GRI 306-5.
Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	Quantitative	Number	IF-EU-150a.2	See GRI 306-3, GRI 306-4 and GRI 306-5.
Workforce Health & Safety				
(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative	Rate	IF-EU-320a.1	The average hours of health, safety and emergency response training for full-time employees is 27 hours. We do not currently track health, safety and emergency response training hours for contract employees. See GRI 403-9.
Grid Resiliency				
Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Quantitative	Number	IF-EU-550a.1	Capital Power has not experienced any financial losses related to technology failure, cyber-attacks or security breaches. 2021 Integrated Annual Report > Progress on Our Road to Decarbonization > Working to ensure resilience across our assets > p. 29
Activity Metrics				
Number of: (1) residential, (2) commercial, and (3) industrial customers served	Quantitative	Number	IF-EU-000.A	2021 ESG Performance > p. 237
Total electricity generated, percentage by major energy source, percentage in regulated markets	Quantitative	Megawatt hours (MWh), Percentage (%)	IF-EU-000.D	2021 ESG Performance > p. 237

2021 ESG performance

The following table provides year-over-year company-wide data for metrics aligned to our priority areas.

	2021	2020	2019	2018	GRI Disclosure	SASB Disclosure
Operations[1] Total electricity generated, percentage by major energy source, percentage in regulated markets (megawatt hours (MWh), percentage (%))						
Net thermal energy generation						
Net production – energy source and generation percentage (coal)	**7,692,081 (39.5%)**	9,166,000 (46.3%)	9,312,000 (44.6%)	9,086,000 (56%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (natural gas)	**7,370,195 (37.8%)**	5,728,000 (28.9%)	8,349,000 (39.9%)	4,421,000 (27%)	102-7	IF-EU-000.D
Net renewable generation						
Net production – energy source and generation percentage (hydro)[2]	**0.0 (0.0%)**	0.0 (0.0%)	0.0 (0.0%)	0.0 (0.0%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (solar)	**28,205 (0.1%)**	27,000 (0.1%)	29,000 (0.1%)	27,000 (0.2%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (biomass)	**55,815 (0.3%)**	356,000 (1.8%)	374,000 (1.8%)	378,000 (2%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (wind)	**4,280,126 (22.0%)**	4,230,000 (21.4%)	2,510,000 (12%)	1,787,000 (13%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (tire-derived fuel)	**44,053 (0.2%)**	287,000 (1.4%)	325,000 (1.6%)	284,000 (2%)	102-7	IF-EU-000.D
Net production – energy source and generation percentage (landfill gas)	**2,785 (0.0%)**	3,000 (0.0%)	0.00 (0.0%)	303 (0.0%)	102-7	IF-EU-000.D
Economic						
Revenues and other income ($M)	**1,990**	1,937	1,963	1,417	201-1	
Adjusted funds from operations ($M)[3]	**605**	522	555	397	201-1	
Net cash flows from operating activities ($M)	**867**	611	720	450	201-1	
Dividends declared per common share ($/share)	**2.12**	1.99	1.86	1.73	201-1	
Community investments ($M)[4]	**1.80**	1.50	1.30	1.00	201-1	
Corporate governance						
Board diversity – gender (%)	**44**	44	44	33	102-18	
Total compensation ratio – CEO/employees (ratio)[5]	**26.1:1**	23.5:1 (CEO/ employees)	20.6:1	22.3:1	102-38	
Political contributions ($M)	**0**	0	0	0	415-1	
Supply chain						
Procurement – spending on local suppliers (%)[6]	**55**	68	60	63	204-1	

[1] Operations data from Capital Power's owned and operated assets.

[2] We no longer generate electricity from hydro since the sale of our two hydroelectric facilities in 2012.

[3] In 2018, the Company made several adjustments to its adjusted funds from operations (AFFO) measure to better reflect the purpose of the measure; see adjusted funds from operations and adjusted funds from operations per share section in the Non-GAAP Measures and Ratios section of the Integrated Annual Report for further details around the calculation of AFFO. Comparative AFFO figures have been restated to reflect the above refinements to the AFFO metric.

[4] Values for annual community investment are inclusive of the charitable and non-profit community contributions made in the calendar year, including Capital Power's EmPowering Communities Program and the corporate match portion of the GENerosity Program.

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

[6] Local is when the supplier's location is in the same province or state where we have operations or offices.

	2021	2020	2019	2018	GRI Disclosure	SASB Disclosure
Environment						
Energy consumption – natural gas (GJ)[1]	**61,686,853**	49,741,778	70,856,887	90,692,000	302-1	
Energy consumption – coal (GJ)[1]	**76,736,277**	91,150,792	91,302,358	38,169,000	302-1	
Energy consumption – bio-mass (GJ)[1]	**1,186,685**	6,704,422	6,693,264	6,972,000	302-1	
Energy consumption – landfill gas (GJ)[1]	**382,253**	422,202	147,934	397,000	302-1	
Energy consumption – tire-derived fuel (GJ)[1]	**955,255**	5,548,704	5,865,793	5,615,000	302-1	
Energy intensity (GJ/MWh)	**7.44**	7.99	8.37	8.72	305-4	
Greenhouse gas emissions – Scope 1 absolute (tCO_2e)[2]	**10,430,443**	11,527,603	12,650,545	11,023,000	305-1	IF-EU-110a.1 IF-EU-110a.2
Greenhouse gas emissions – intensity (tCO_2e/MWh)[3]	**0.53**	0.58	0.60	0.68	305-4	
Reduction of GHG emissions (tCO_2e)	**847,576**	601,018	886,159	530,230	305-5	
Air emissions – NO_x (tonnes)[2]	**13,079**	16,216	15,552	15,510	305-7	IF-EU-120a.1
Air emissions – SO_2 (tonnes)[2]	**15,500**	20,565	19,981	20,666	305-7	IF-EU-120a.1
Air emissions – particulate matter (tonnes)[2]	**603**	895	1,477	1,644	305-7	IF-EU-120a.1
Air emissions – mercury (kg)[2]	**22**	23	20	23	305-7	IF-EU-120a.1
Water withdrawal (megalitres)	**44,214**	47,594	51,975	52,000	303-3	IF-EU-140a.1
Water discharge (megalitres)	**31,457**	37,123	36,003	31,000	303-4	IF-EU-140a.1
Water consumed (megalitres)	**12,757**	10,471	15,556	21,000	303-5	IF-EU-140a.1
Total land use (hectares)	**3,359**	3,312	3,173	3,081	304-1	
Reclaimed land (hectares and percentage of land)[4]	**1,298 (39%)**	1,231 (37%)	1,124 (35%)	1,118 (36%)	304-3	
Total weight of waste generated (tonnes)[5]	**939,641**	1,026,000	976,000	958,000	306-3	
Total waste diverted from disposal (tonnes)[5]	**289,351**	254,000	223,000	247,000	303-4	
Total weight of waste directed to disposal (tonnes)[5]	**650,290**	772,000	754,000	711,000	306-5	
Number of incidents of non-compliance associated with water quantity and/or quality permits, standards and regulations	**0**	0	0	0		IF-EU-140a.1
People						
Total number of employees (number)[6]	**797**	827	825	770	102-8	
Permanent employees (numbers)	**797**	786	794	745	102-8	
Employee diversity – overall (% female)	**27**	25	24	25	405-1	
Employee diversity – executive (% female)	**43**	43	33	33	405-1	
Turnover for permanent employees (%)	**5.36**	7.6	6.9	7.9	401-1	
Employees covered by collective bargaining agreements (%)	**29**	30	30	29	102-41	
Employee training – hours per employee (number)	**23.06**	13	17	Not available	404-1	
Total recordable injury frequency (TRIF – score)[7,8]	**0.60**	0.72	0.81	0.74	403-9	IF-EU-320a.1
Lost time injury/illness frequency (LTIF – score)[8]	**0.08**	0.27	0.16	0.08	403-9	
Lost time injury/illness severity (LTIS – score)[8]	**0.00**	4.27	0.79	0.00	403-9	
Fatality rate (rate)	**0**	0	0	0	403-9	IF-EU-320a.1

[1] Year-over-year variance is primarily due to fuel mixture, the number of operating hours of each facility, acquisitions and developments, respectively. Data represents Capital Power's generation associated with its operating approvals rather than its financial share of the operation.

[2] Values represent direct emissions from power generation at the facilities we operate and the Genesee Mine. Details of GHG reporting approach can be found in the GRI & SASB Index.

[3] This intensity includes GHG emissions related to MWh production only and excludes steam production at East Windsor and mining. Denominator used is Net Generation (sold MWh). Only direct (Scope 1) GHG emissions included in intensity calculation. Gases included in calculation: CO_2, CH_4, N_2O and SF_6.

[4] Reclaimed refers to land that is either fully certified, is awaiting final certification from the Alberta Energy Regulator (AER) or is ready for application for certification.

[5] Capital Power monitors ash only, not other types of waste.

[6] Full- and part-time permanent, Canada and U.S.

[7] Numbers include corporate and operations but exclude construction projects.

[8] Includes employees and contractors.

10-year operational & financial highlights

(millions of dollars except per share and operational amounts) (unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operational										
Number of facilities at year-end[1]	**26**	28	26	25	24	18	18	15	14	16
Electricity generation[1] (GWh)	**22,811**	23,806	24,527	20,229	17,194	15,328	14,567	12,376	16,130	16,455
Facility availability	**90%**	95%	94%	95%	96%	94%	95%	95%	93%	91%
Financial position (at December 31)										
Total assets[8]	**$9,073**	$8,911	$8,582	$7,569	$6,819	$6,062	$5,393	$5,420	$5,219	$5,134
Loans and borrowings including current portion	**$3,360**	$3,552	$3,413	$2,647	$2,146	$1,508	$1,615	$1,586	$1,527	$1,659
Income and cash flow										
Revenues and other income[2,8]	**$1,990**	$1,937	$1,963	$1,417	$1,168	$1,214	$1,241	$1,218	$1,393	$1,296
Adjusted EBITDA[3,7,8]	**$1,124**	$955	$1,029	$736	$614	$509	$483	$387	$483	$456
Net income[8]	**$87**	$130	$119	$258	$125	$102	$86	$50	$228	$90
Net income attributable to shareholders[8]	**$98**	$136	$125	$265	$135	$111	$90	$46	$175	$62
Normalized earnings attributable to common shareholders[3,8]	**$221**	$128	$140	$115	$104	$117	$111	$59	$127	$86
Basic earnings per share[8]	**$0.39**	$0.78	$0.73	$2.17	$0.98	$0.91	$0.70	$0.28	$2.13	$0.84
Diluted earnings per share[4,8]	**$0.39**	$0.77	$0.72	$2.16	$0.98	$0.91	$0.70	$0.28	$2.08	$0.84
Normalized earnings per share[3,8]	**$1.97**	$1.22	$1.34	$1.12	$1.03	$1.22	$1.15	$0.72	$1.74	$1.29
Net cash flows from operating activities	**$867**	$611	$720	$450	$372	$375	$419	$391	$499	$242
Funds from operations[3,5,6]	**N/A**	N/A	N/A	N/A	N/A	$384	$400	$362	$426	$383
Adjusted funds from operations[3,6]	**$605**	$522	$555	$397	$361	$291	$324	N/A	N/A	N/A
Adjusted funds from operations per share[3,6]	**$5.40**	$4.96	$5.32	$3.85	$3.58	$3.02	3.36	N/A	N/A	N/A
Dividends										
Dividends declared per common share	**$2.12**	$1.99	$1.86	$1.73	$1.62	$1.51	$1.41	$1.31	$1.26	$1.26
Common share information (TSX:CPX)										
High	**$45.05**	$38.88	$35.09	$29.79	$26.51	$24.49	$27.12	$28.71	$23.53	$25.72
Low	**$33.31**	$20.23	$26.22	$22.15	$23.15	$16.37	$15.41	$20.51	$19.76	$20.75
Close	**$39.46**	$34.98	$34.39	$26.59	$24.49	$23.23	$17.77	$26.00	$21.30	$22.73
TSX volume (millions)	**73.3**	103.1	77.1	65.4	62.8	73.2	79.8	58.3	42.8	39.7

[1] The PPAs for the Southport and Roxboro facilities expired March 31, 2021, and the facilities also ceased operations. Includes generation from Capital Power's owned and joint arrangement assets.

[2] Revenues for 2012 have been restated to correspond to 2013 basis of presentation. Revenues for 2014 and 2015 have been restated to the 2016 basis of presentation. Revenues for 2013 and prior have not been restated for this latter change.

[3] The consolidated financial highlights, except for adjusted EBITDA, normalized earnings attributable to common shareholders, normalized earnings per share, funds from operations, adjusted funds from operations (AFFO) and adjusted funds from operations per share were prepared in accordance with GAAP. See Non-GAAP Financial Measures and Ratios, page 60.

[4] Diluted earnings per share was calculated after giving effect to outstanding share purchase options and the exchange of common limited partnership units of CPLP held by EPCOR for common shares of Capital Power on a one-for-one basis.

[5] The 2012 and 2013 funds from operations amounts were revised consistent with the change in the measure due to the reclassification of Part VI.1 tax from operating activities to financing activities.

[6] Commencing in 2017, the Company uses AFFO as a measure of the Company's ability to generate cash from its current operating activities to fund growth capital expenditures, debt repayments and common share dividends to the Company's shareholders. In 2018, the Company made several adjustments to its AFFO measure to better reflect the purpose of the measure; see adjusted funds from operations and adjusted funds from operations per share section in the Non-GAAP Measures and Ratios, page 60, for further details around the calculation of AFFO. Comparative AFFO figures have been restated to reflect the above refinements to the AFFO metric.

[7] Adjusted EBITDA figures for 2012 to 2018 have been restated to correspond to the 2019 basis of presentation.

[8] The comparative periods' amounts for 2017 and 2018 have been restated to reflect the IAS 8 accounting policy change resulting from the transition to IFRS 16 in 2019. Comparative period amounts prior to 2017 have not been restated.

Investor information

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Stock exchange & index membership

Toronto Stock Exchange (TSX)

Member of the following indices:

- S&P/TSX Composite
- S&P/TSX Canadian Dividend Aristocrats
- S&P/TSX Capped Utilities
- S&P/TSX SmallCap

Stock trading symbols (TSX)

Common shares: CPX

Preferred shares:
Series 1 – CPX.PR.A
Series 3 – CPX.PR.C
Series 5 – CPX.PR.E
Series 7 – CPX.PR.G (redeemed on December 31, 2021)
Series 9 – CPX.PR.I
Series 11 – CPX.PR.K

Common Shares (as of December 31, 2021)
Total outstanding shares: 116,193,681
Market capitalization: $4.6 billion

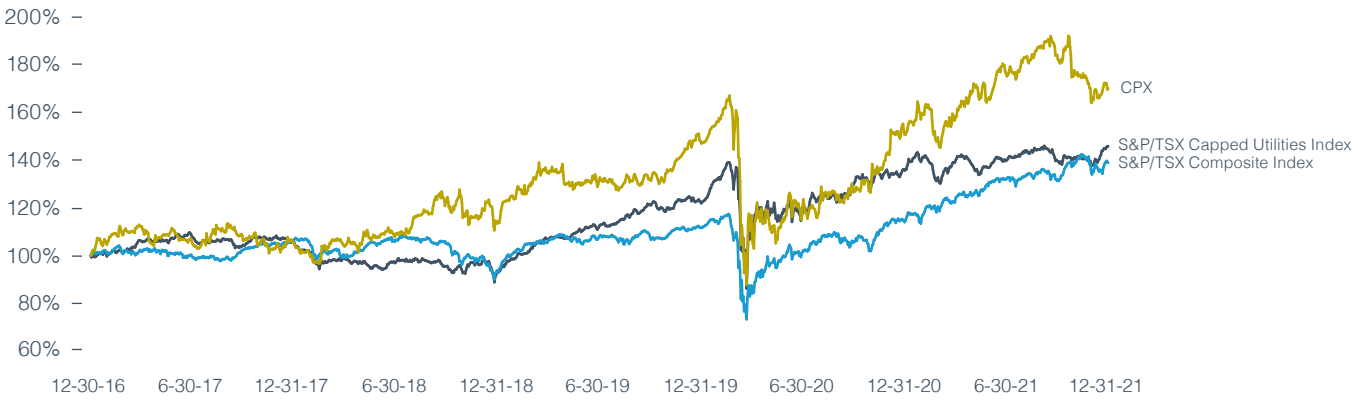
2022 expected common share dividend dates

	Ex-Dividend Date	Record Date	Payment Date
Quarter 1	March 30	March 31	April 29
Quarter 2	June 29	June 30	July 29
Quarter 3	September 29	September 30	October 31
Quarter 4	December 29	December 30	January 31, 2023

2022 expected preferred shares dividend dates

	Ex-Dividend Date	Record Date	Payment Date
Quarter 1	March 17	March 18	March 31
Quarter 2	June 16	June 17	June 30
Quarter 3	September 16	September 19	September 30
Quarter 4	December 14	December 15	December 30

5-year relative price performance for common shares (CPX)



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