Green Financing Framework

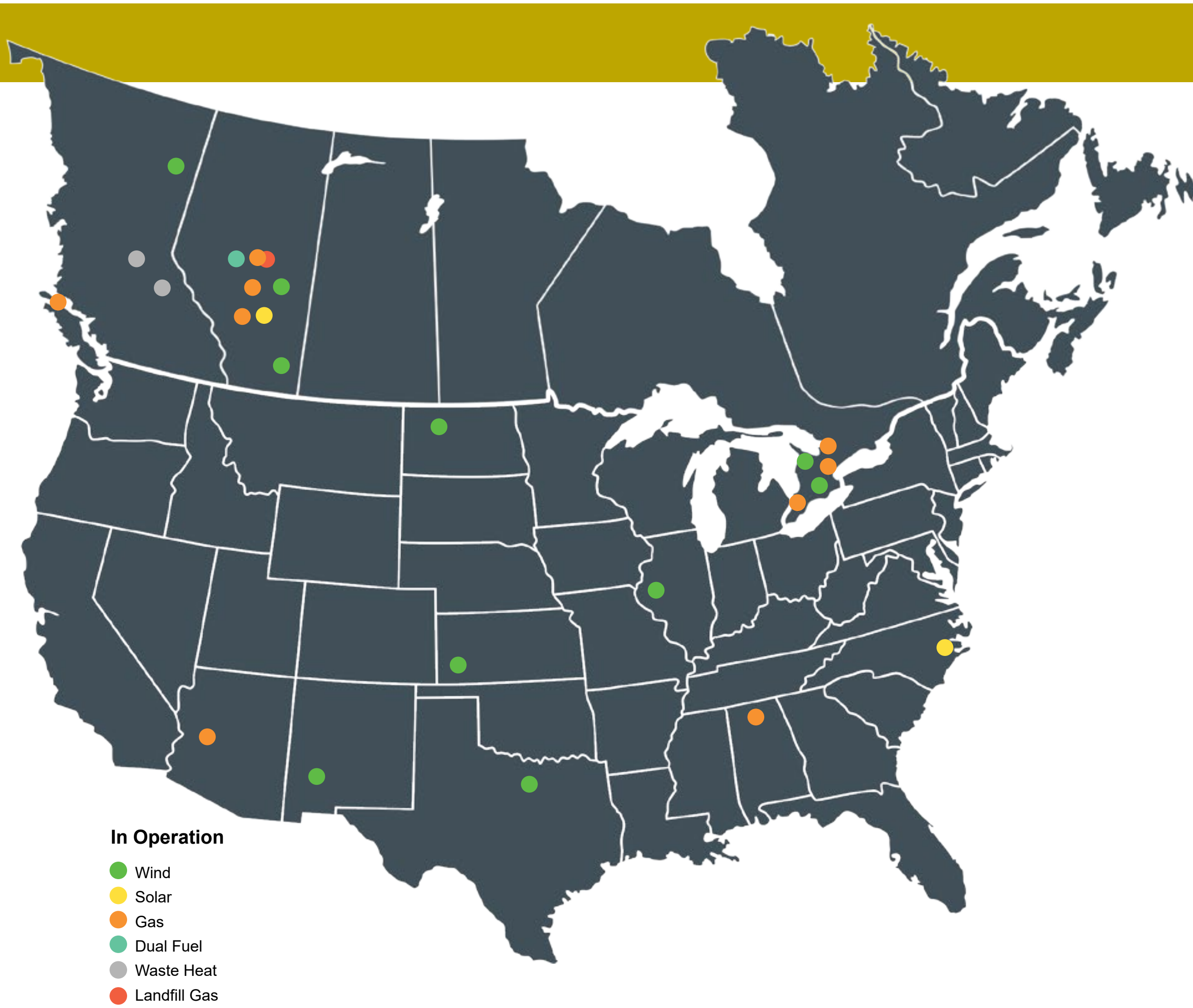
August 15, 2022.

Capital Power

Company overview

Capital Power Corporation (together with its subsidiaries, including its interest in Capital Power L.P., "Capital Power", "the Company", "we" or "us") is a growth-oriented North American independent power producer headquartered in Edmonton, Alberta, with a corporate purpose *to power a sustainable future for people and planet*. Capital Power builds, owns, and operates high-quality, utility-scale generation facilities across North America, including wind, solar, waste heat, and thermal. Currently, we own approximately 6,600 megawatts ("MW") of power generation capacity at 27 facilities. Projects in advanced development include approximately 385 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.

We are committed to being carbon neutral by 2050 via a strategic path which includes being off coal by the end of 2023, accelerating growth in renewable projects and making strategic investments to abate the emissions from our remaining natural gas generation. As time passes, we expect our natural gas units to generate less frequently and for shorter periods of time. As renewables proliferate in the power system, peaking natural gas will be needed to maintain reliability during extreme weather events.



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.

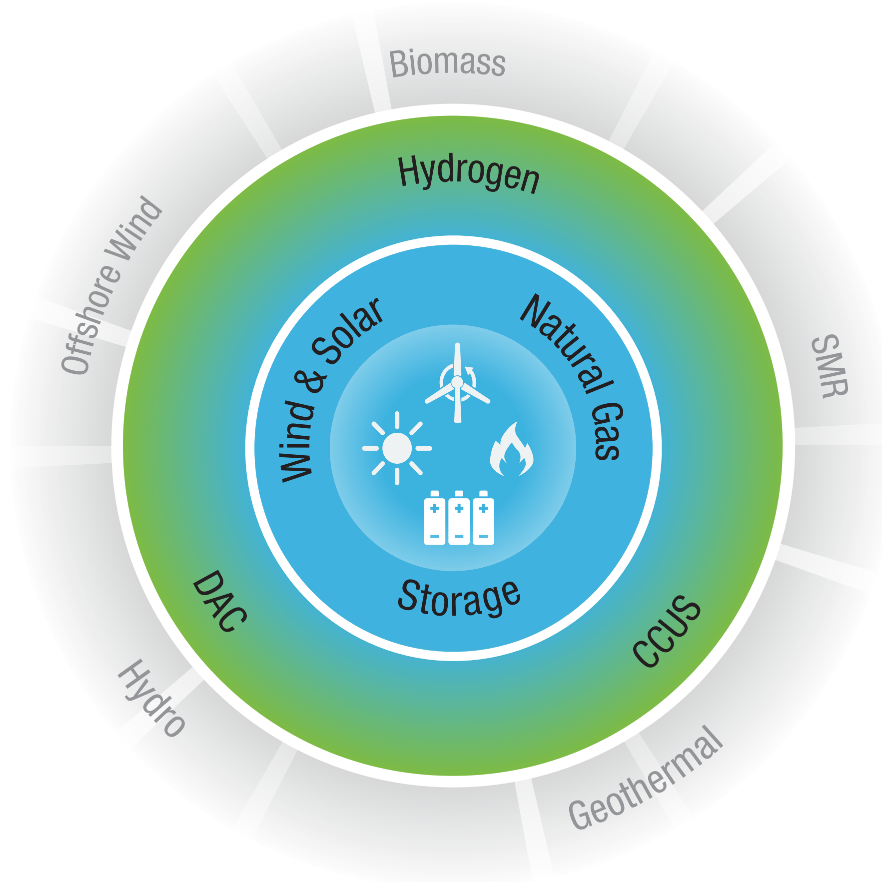
Genesee 1,2,3 shown as one facility

Climate strategy

Capital Power's purpose *to power a sustainable future for people and planet* guides our decision-making and allows us to create and capitalize on opportunities. As we accelerate growth across our core technologies, we are taking action today to build the carbon neutral energy system for tomorrow. To support our ambition, and upon recognizing that limiting global warming to well below 2 degrees Celsius will require a transformation of the energy system, Capital Power has committed to being an industry leader in the transition to a low carbon future, committing to be net carbon neutral by 2050.

We believe a holistic transformation of our energy system requires an "all of the above" solution from our industry. Underpinning our strategy for growth and responsible energy are investments in wind, solar, natural gas, and energy storage. These technologies are the core of our strategy and allow us to achieve returns that support our growth and deliver long-term value. Our pathway towards net carbon neutrality also includes the advancement of decarbonization technologies such as carbon capture, utilization, and storage ("CCUS"), hydrogen blending and carbon removals, including nature-based solutions and direct air capture ("DAC").

Executing on this approach will dramatically reduce carbon emitted by our operations and accelerate society's shift to renewable energy and other low-carbon energy sources, consistent with our 2050 goal.



Inner Ring	–	Core technologies in our portfolio that are currently in operation or under construction
Middle Ring	–	Technologies to which we are dedicating resources with the intent of advancing as part of our long-term strategy
Outer Ring	–	Ecosystem of generation technologies in the power sector that we are not actively pursuing but continue to monitor for risks

CCUS: carbon capture, utilization and sequestration
DAC: direct air capture
SMR: small modular nuclear reactor

Capital Power

Roadmap to 2050

Capital Power made a commitment in 2020 to be net carbon neutral by 2050 and defined a decarbonization pathway to achieve that goal. We have made significant progress towards that goal with successful development of renewables and the decision to be off coal by 2023. We will continue to update our pathway as we learn and refine the necessary steps to get there.

2009–TODAY

- Genesee efficiency program - 12% decrease in greenhouse gas (GHG) by 2021
- Over $3B invested in/committed to renewables
- C2CNT interest increased to 40%
- Over $40M invested in carbon capture research
- Completed two CCUS FEED studies (2007/2011)

TODAY–2024

- Complete repowering and off coal
- Genesee Battery Energy Storage System
- CCUS FEED study at Genesee
- Invest in renewables, strategic natural gas
- Pair renewables with storage
- CCU: C2CNT and beyond
- Explore commercial/physical direct air capture (DAC) solutions

2024–2030

- Genesee CCS project
- Expand CCU
- Exploring carbon mitigation technologies on ex-Alberta fleet
- Add DAC to carbon compliance portfolio

2030–2050

- Net carbon neutral via physical solutions on natural gas assets, DAC and “offsets”
- Invest in DAC facility
- Renewables + storage as baseload

2050–2070

- Physical decarbonization

Sustainability targets

Capital Power's roadmap to achieving net carbon neutrality by 2050 is underpinned by sustainability targets that reduce our impacts, improve our performance, and cultivate a future for carbon neutral power generation. Below are a few of the key milestones we aim to reach as we progress:

- Reducing Scope 1 CO_2 emissions at Genesee by 50% by 2030 from 2005 levels
- Reducing Scope 1 CO_2 emissions by 10% by 2030 from 2005 levels, based on our 2019 fleet
- Reducing Scope 1 CO_2 emission intensity by 65% by 2030 from 2005 levels[1]
- Invest in carbon capture and utilization technology to help achieve net carbon neutrality by 2050 and eventually physically decarbonize natural gas fleet (ongoing)
- Construct all new natural gas generation units to be carbon capture and/or hydrogen ready

[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.

Sustainability governance

Sustainability is a critical component of each aspect of the Board and management's oversight. Capital Power is committed to responsible corporate governance as being critical to long-term performance and investor confidence. Our governance practices promote accountability, transparency and resilience, and support sound decision making in the interest of all our stakeholders.

Under the Board's oversight, the Executive Team as a whole is responsible for addressing climate change-related issues, assessing implications, risks, and opportunities for Capital Power, and ensuring our broader ESG strategy is sustainable. Climate change and progress toward our sustainability targets are therefore standing items on the Board's quarterly meeting agendas. A percentage of the short-term remuneration of Capital Power management is also based on social and environmental targets, including worker safety, employee retention and achieving lower GHG emissions. 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 in leadership and an increase in broader workforce diversity.

Environmental and social risks management

Capital Power believes that strong risk management encompasses culture, capabilities, practices, strategy setting and performance. Our framework of controls enables us to operate in a cost-effective and environmentally responsible way by:

- Managing risks
- Ensuring safe and reliable operations
- Providing plans to mitigate environmental and social impacts
- Developing and sharing best practices
- Supporting continuous improvement

We use an enterprise risk management (“ERM”) program and occupational health and safety management system to support our overall risk monitoring and management.

We view risk management as an ongoing process and continually look for ways to enhance our risk management programs and procedures. Our companywide ERM Program embeds the principles of risk management into all aspects of our operations and ensures risks are effectively managed across the entire organization. A systematic approach identifies, treats, monitors, and reports on risk. ERM practices are embedded in two key corporate processes – strategy/long-term planning and operational planning/budgeting, so we can identify risks that could prevent us from achieving our strategy and business objectives and develop strategies to mitigate them.

Our Health, Safety and Environment (“HSE”) Policy defines the framework under which our health, safety and environment program is developed and maintained. We manage HSE risks through a company-wide occupational health and safety management system, informed in part by ISO 45001:2018.

Rationale for financing

Capital Power recognizes the increasing urgency around climate change and the need to accelerate the development of clean energy solutions to achieve global net-zero carbon ambitions. We are committed to taking a leadership role in the energy transition to a low carbon future, while continuing to create opportunities and empower communities where we operate.

Capital Power's Green Financing Framework ("the Framework") has been developed to reflect the Company's commitment to allocate capital towards projects that enable a transition toward a lower carbon future. The Framework is aimed at supporting those financing activities in connection with its decarbonization objectives.

Framework overview

The Framework sets out the guidelines for Capital Power's Green Financing in accordance with the Green Bond Principles (2021)[2] issued by the International Capital Markets Association ("ICMA") and the Green Loan Principles (2021)[3] issued by the Loan Market Association and Loan and Syndications and Trading Association ("LSTA"). The Framework has also been designed in contemplation of the practices, actions, and disclosures recommended in the ICMA's Climate Transition Finance Handbook (2020) [4]. See Appendix for a summary table on where each of the four elements are contained.

A Green Financing is a debenture, bond (including hybrid bonds), or other debt financing or loan instruments where the proceeds are exclusively allocated to green expenditures that promote environmental sustainability and have clear environmental benefits and are expected to contribute to select United Nations' Sustainable Development Goals ("SDGs")[5].

2 International Capital Markets Association, "The Green Bond Principles (GBP) 2021" published on June 14, 2018, and updated as of June 2021
3 Loan Syndications & Trading Association and Loan Market Association, "Green Loan Principles", published in February 2021. Green Loan Principles - LSTA
4 Climate Transition Finance Handbook.
5 United Nations' Sustainable Development Goals.

I. Use of proceeds

An amount equal to the net proceeds of each Green Financing will be allocated or used to finance or re-finance, in part or in full, new and/or existing green investments and expenditures made by Capital Power that meet the Eligibility Criteria defined below and are aligned with the SDGs as indicated ("Eligible Investments").

Eligible Investments may include investments and expenditures made by Capital Power up to 36 months prior to each Green Financing issuance and up to 36 months following each Green Financing.

Eligible Green Category	Eligibility Critera & UN SDG Alignment
Renewable Energy	**Solar Energy:** Investments or expenditures associated with the development, construction, acquisition, operation, maintenance, refurbishment, and/or repowering of solar PV energy. **Wind Energy:** Investments or expenditures associated with the development, construction, acquisition, operation, maintenance, refurbishment, and/or repowering of wind energy. **Energy Storage:** Investments or expenditures associated with the development, construction, acquisition, operation, and maintenance of renewable battery energy storage projects. 

II. Process for project evaluation and selection

Capital Power has established a Sustainability Financing Committee composed of, as of the date of publication of this framework, Treasury, Corporate Sustainability and Legal department members and may include personnel from other departments in the future, appointed from time to time by the Company's Chief Financial Officer.

The Sustainability Financing Committee will align its Eligible Investment selection and evaluation analysis with this Framework and Green Financing will be aligned with the criteria laid out in this Framework.

When evaluating projects, the Sustainability Financing Committee will ensure Eligible Investments comply with Capital Power's strong risk management framework (described above).

As part of the annual reporting and disclosure process, the Sustainability Financing Committee will review the existing Eligible Investments to ensure that they continue to comply with the Eligibility Criteria.

III. Management of proceeds

Capital Power's Treasury department will be responsible for the allocation and management of an amount equal to the net proceeds from each Green Financing to the financing or refinancing of existing and future Eligible Investments.

The proceeds of each Green Financing will be deposited in the Company's general funding accounts with an equivalent amount to be earmarked against Eligible Investments identified.

Capital Power intends to fully allocate an amount equal to the net proceeds of a Green Financing within a timeframe of 36 months from the date of such financing. Pending allocation, proceeds may be used in accordance with the Company's internal liquidity management policies and strategies.

If an Eligible Investment is no longer deemed eligible pursuant to the eligibility criteria set forth in this Framework, the net proceeds from the Green Financing previously allocated to such asset will be allocated to another Eligible Investment as soon as reasonably practical.

IV. Reporting

Until the Green Financings issued under this Framework are fully allocated, Capital Power will report publicly on the use of the Green Financing proceeds within one year of issuance and annually thereafter. Both the Allocation and Impact Reports will be posted on the Company's website.

Allocation Reporting will include:

- The total net proceeds of all outstanding Green Financings
- The amount of net Green Financing proceeds allocated to Eligible Investments, on a project-by-project basis where possible, and a brief description and/or project updates on the Eligible Investments
- The remaining balance of unallocated net Green Financing proceeds if any

Impact Reporting will include, where feasible, qualitative and/or quantitative environmental and social performance indicators. Performance indicators may change from year to year and may include one or more of the following:

Eligible Green Category	Potential Impact Metrics
Renewable Energy	• Renewable energy production (MWh) • Installed capacity (MW) • Energy storage capacity (MW and MWh)

External review

Second Party Opinion

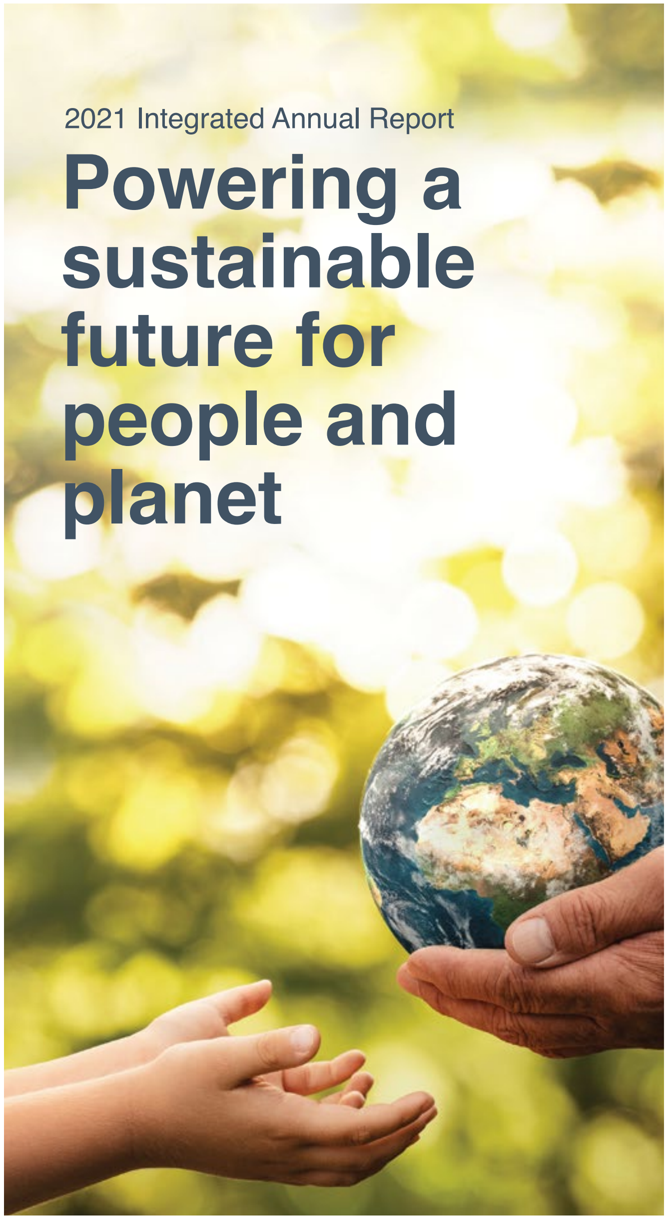
Capital Power has appointed Sustainalytics to provide a Second-Party Opinion of the Framework, to confirm the alignment of the Framework to the ICMA's Green Bond Principles and the ICMA's Climate Transition Finance Handbook. The Second Party Opinion document is available on [Capital Power's website].

Post issuance external verification

An external verification of the Allocation Report will be provided by an independent external auditor, on an annual basis and until the complete allocation of proceeds. The external auditor will verify the allocation of the Green Financing proceeds to Eligible Projects in accordance with this Framework. Such verification will be published on [Capital Power's website].

Appendix

Key Elements of the Climate Transition Finance Handbook	Additional Resources
Issuer's climate transition strategy and governance Description of the Issuer's climate transition strategy and governance	**2021 Integrated Annual Report** Pages 24-34 Pages 52-54 **2021 Climate Change Disclosure Report** Pages 8-9 Page 11
Business model environmental materiality	**2021 Integrated Annual Report** Pages 11-23 **2021 Climate Change Disclosure Report**
Climate transition strategy to be 'science-based', including targets and pathways	**2021 Integrated Annual Report** Pages 11-23 **2021 Climate Change Disclosure Report** Pages 8-9
Implementation transparency	**Investor Presentation dated April 2022** **2021 Climate Change Disclosure Report**



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