LEADERSHIP ROUNDTABLE SESSION #16 – POLLING RESULTS + Q&A

1. Now that we are over 100 days into the pandemic, our organization's level of optimism for rebound by the end of 2020 is:

Much more optimistic than when the crisis first started	8%
Slightly more optimistic than when the crisis first started	33%
Equally optimistic as when the crisis first started	19%
Slightly less optimistic than when the crisis first started	30%
Much less optimistic than when the crisis first started	10%

1. As a result of the crisis, with respect to ESG, our organization has:

Significantly increased our focus	12%
Slightly increased focus	30%
Our focus has remained the same	55%
Slightly decreased our focus	3%
Significantly decreased our focus	0%

COVID-19 ROUNDTABLE CALL #16 – Q&A

For David Dodge

Q: As public concern over the wealth gap grows, calls are mounting for a wealth tax. How would such a policy impact the scenario he painted?

A: Wealth taxes are difficult to administer. Much the same distributive objective can be reached by raising the inclusion rate on Capital Gains. I have always favored the Carter Commission recommendation of 100% inclusion. This would also allow the top marginal rate to be lowered a little.

Q: Do you think we will see negative interest rates? What impact do you think will this have (short/long term) to the economy and consumer?

A: We will not have negative rates in North America.

Q: Mr Dodge indicated an expectation of higher taxes to pay down deficits. Does he think provinces like Alberta will need to implement a sales tax?

A: Yes we will see somewhat higher taxes starting in 2021-22 at all levels of government and somewhat reduced services as well. Yes, Alberta needs a sales tax to replace oil revenues, but needs reduced spending as well. The big question is what to do with public sector defined benefit pensions.

For Don Lowry

Q: Will board meetings likely remain virtual even if we have a vaccine?

A: No. Although boards have quickly adapted to various technology platforms to discharge their governance responsibilities during this unprecedented period of physical isolation due to the virus it is highly unlikely, they will stay 100% in that mode when we reach whatever the new normal is. The upside of staying is we have proved it works, saves money, lowers our environmental footprint by less travel, increases the digital skills of directors for all manner of material which means less paper mail and copies and is quick and agile to do. Most importantly it is safe during a pandemic.

The downside of going 100% virtual more than offsets the gains. The loss of human social interaction to read body signals, the subtlety of decision making, the learning and exchange of views by side bar conversations over dinner, between meetings and the oversight of management development and performance are just a few of the things not to mention on site education at company facilities to better understand the business. It is similar to practicing medicine and never seeing a live patient, you can only do it for so long. Although the technology greatly helps it does not replace in person meetings.

Given this view and the strides made in enhanced ESG, my prediction is boards will evolve to a hybrid approach to conducting meetings that fits their various company's needs. Many will likely adopt at least one quarter virtual meetings, one planning or education session virtual, interview potential directors to at least prequalify and consult with outside experts more this way. By using this hybrid model, they are in good shape to shift back when the next pandemic hits.

For firms with global operations who already to a degree do this, it will make it easier for Boards to draw on a larger pool of potential directors.

Q: The social criteria in ESG includes an organization's relationship with employees. How can board's monitor an organization's culture and how it may have shifted as a result of the pandemic.?

A: Generally, management runs regular surveys on line and other pulse checking instruments to continually have a read on the culture so that when events occur you can compare to what long run trends are. If you did not have this in place prior to an event like this, measuring any sort of change from the norm is difficult and I have no quick answers.

Culture in my experience is defined at the top of the organization, both the Board and senior management. It is based on the values the company stands for or what is really important around here and does not change under any circumstances and is used to guide all choices. If the top of the company does not live these values 24 hours a day seven days a week then you have two cultures. The one the company says is its' culture and then the real culture. This is not a healthy situation.

I personally find comparing decisions the board makes, recommendations management brings, do they align with the values? Is a good technique. Spending one on one time, with the CEO and senior management in various settings and comparing notes as directors is another. The best, is how leadership responds to adversity, true culture then emerges. This actually was my 3rd point that I neglected to cover on the panel today so thanks for raising it.

Q: The shift in power demand profile will move generation focus from centralized to distributed-how will Capital Power take advantage of this opportunity?

A: Our client base are large industrial customers, grid operators and utilities. From a load balancing perspective even with the shift over time to distributed or on-site power, there is a tremendous need for load balancing, back-up power and overall power demand. On that basis we do not see in the short term 5-10 years a material shift but do share the view that it is building that way and therefore the major capital allocations we make for new generation is mindful of this trend. For further information please see our latest investor relations material on our website www.capitalpower.com

For Jay Forbes

Q: How have your key clients reacted to your response to COVID? Has it been an opportunity to strengthen relationships (and same for your suppliers....do you sense a stronger relationship?)

A: We have been a bit taken aback by the response we have received from our clients; they have been effusive in their thanks for our proactive reach out and engagement, the real-time insights we are providing re supply chain evolution and the cost-out ideas we are bringing forth (we will identify more than $1 billion in productivity savings for our clients this year).

We are actually seeing this appreciation translate into a meaningful increase in our Net Promoter Score, a real testament to the strengthening of relationships

Along similar lines, we are seeing this play out with suppliers as well. A combination of empathy and understanding coupled with creativity has allowed us to fashion true win-win solutions to address unforeseen issues.