



SD 2001



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President's letter

TO OUR SHAREHOLDERS, FRIENDS & NEIGHBOURS

It's my pleasure to present TransAlta's 2001 Sustainable Development Annual Report, our fourth annual accounting of the corporation's progress toward sustainable development.

2001 was a notable year for the corporation, not only for our achievements but also for the challenges we've faced, the changes we've made and the future we're looking forward to.

A year of achievement. For the third consecutive year, TransAlta was listed on the Dow Jones Sustainability World Index. We were one of only four North American power generation companies to be included in this index of the world's most sustainable companies. We were also added to the prestigious London-based FTSE4 Good Global Index for our environmental performance. In July, TransAlta became the first Canadian electric generation company to trade on the New York Stock Exchange.

In 2001, TransAlta more than doubled its commitment to renewable energy and distributed generation, announcing investments in three innovative companies through our Sustainable Development and Technology Fund. In the last two years, we have invested more than \$23 million in renewable energy and distributed generation.

On July 1, TransAlta became the first company in Calgary to have its corporate headquarters powered by wind generation. TransAlta signed a 10-year contract with Vision Quest Windelectric Inc. for the supply of eight million kilowatt-hours of electricity annually.

We have improved our safety performance, reducing employee injuries 20 per cent from the year 2000. We are committed to bringing that number down even further.

Environmental regulatory contraventions at our plants were also down 14 per cent from the year before. Emissions of sulphur dioxide were reduced in 2001 by over 13 per cent with the installation of a new scrubber at Centralia. In 2002 a second scrubbing unit will be installed at Centralia, which will bring our sulphur dioxide emissions even lower.

2001 was also a significant year for community involvement. TransAlta's employees and retirees donated a record \$622,000 to the 2001 United Way campaign. With those donations, money raised through special events and TransAlta's matching contribution, a total of \$1.3 million was raised.

A year of challenge and change. The electricity industry encountered dramatic volatility for the first time in its long history. Prices soared to record highs, then dropped. Massive capacity additions were announced and planned then stopped. Enron went bankrupt in weeks. TransAlta came through these wild swings in strong condition and prepared for leaner times.

We announced in 2001 the sale of our Alberta-based transmission assets to Altalink, completing a streamlining process of selling business segments in which the company lacked scale or could not obtain a competitive advantage.

TransAlta is now completely focused on becoming an international generation and marketing company - a power generator with the highest performing power facilities anywhere. **Now is the time to begin looking ahead** to the energy market and industry of 2010, 2015, even 2020 and beyond.

Because TransAlta is in a capital intensive, long cycle business, decisions and investments we make today will continue to impact our bottom line and our sustainability for years to come.

We have some hard questions to ask ourselves, and some tough issues to deal with. But in those tough issues lies the glimmer of opportunity.

The two primary environmental issues TransAlta must deal with in the near future are climate change and the reduction of air emissions.

TransAlta is Canada's second largest single emitter of greenhouse gas. **We know climate change must be dealt with** and we are tackling the problem head-on. We are pioneering offset projects and emissions trading; investing in renewable energy and distributed generation; improving plant efficiency and diversifying our generation fuel mix.

We must also respond to tightening environmental regulations on air emissions of concern including nitrogen oxides, sulphur dioxides, mercury and particulate matter. These regulations and the expectations of government and stakeholders across all jurisdictions are becoming more and more demanding.

In the meantime, economic and individual prosperity cannot be achieved without increased lowcost electricity production. The world's abundant coal resource will be needed to feed this growing demand. If we are to have a long-term, sustainable means to address the environmental concerns associated with coal-fired generation, we'll need to be innovative and drive the development of new technology.

Clean coal technology holds the potential to virtually eliminate air and carbon dioxide emissions from coal-fired power plants. It also promises to transform the value chain of our coal resource - to increase shareholder value from an existing asset.

Today, we mine and burn coal to produce steam for electricity. Soon we might mine coal to be refined into synthetic natural gas, hydrogen, sulphur, petrochemical feedstock and electricity. We could eliminate mercury, sulphur dioxide, nitrogen oxide, particulate emissions and carbon dioxide.

Coal is not the only energy source of the future we should explore. TransAlta is pursuing alternative energies like coal mine methane, biomass, wave energy, wind power, small hydro and distributed generation.

In these tough issues lies a glimmer of opportunity for the innovative energy company of the future. TransAlta can be that company.

Sustainable development is not just about meeting today's environmental regulation; it's about having a vision, being innovative and being bold with a long-term view.

It's also about achieving more with less, delivering the greatest possible economic benefit while creating less environmental impact and more shareholder value.

At TransAlta, we are making progress on the road to sustainable development, progress that we intend to continue.

On behalf of TransAlta, the Board of Directors and our employees, thank you for your interest and support. I welcome your thoughts and comments on our progress towards sustainable development.

A handwritten signature in black ink, appearing to read "S. Snyder".

Stephen G. Snyder

PRESIDENT & CHIEF EXECUTIVE OFFICER

About TransAlta and this report

TransAlta Corporation (TSE: TA; NYSE: TAC) is Canada's largest non-regulated electric generation and marketing company, with more than \$7 billion in assets and 9,000 megawatts of capacity in operation or under construction. As one of North America's lowest-cost operators, our growth is focused on developing coal and gas-fired generation in Canada, the U.S. and Mexico.

This report documents the environmental, economic and social performance and activities of TransAlta Corporation in Australia, Canada, Mexico and the U.S. Our single product is electricity. Our electricity sales are to industrial customers and wholesale electricity markets.

As part of our journey towards sustainable development, TransAlta strives to deliver broad public disclosure of our corporate activities. We have been part of the international review and development of guidelines for sustainability reporting led by the Global Reporting Initiative (GRI). We seek to follow the GRI leadership in our reporting - this is TransAlta's fourth sustainable development annual report and the third to follow the GRI guidelines.

This report covers activities for the 2001 calendar year. Our last sustainability report was published in early 2001 to cover year 2000 activities. Significant changes from last year's report include:

- The application of the World Business Council for Sustainable Development / World Resources Institute protocol for accounting and reporting greenhouse gas emissions and reductions
- Expanded information about our economic contribution and impacts
- Expanded information about our social contribution and practices with communities and stakeholders
- Introduction of integrated indicators

Also included in this report is TransAlta's 2001 report to the Voluntary Challenge and Registry (VCR) program. TransAlta has been a member of the VCR program since 1995, voluntarily reporting our Canadian greenhouse gas emission reduction performance. You will find this report in 'Other Reports'.

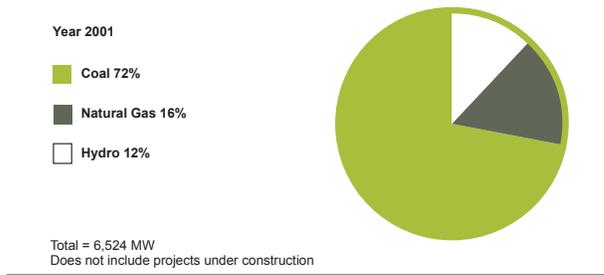
TransAlta has an objective to obtain independent evaluation of our sustainability reporting every two years. Last year's report was audited by the accounting firm of Ernst & Young. We are currently undertaking a comprehensive independent technical audit of our sustainability reporting.

Corporate profile

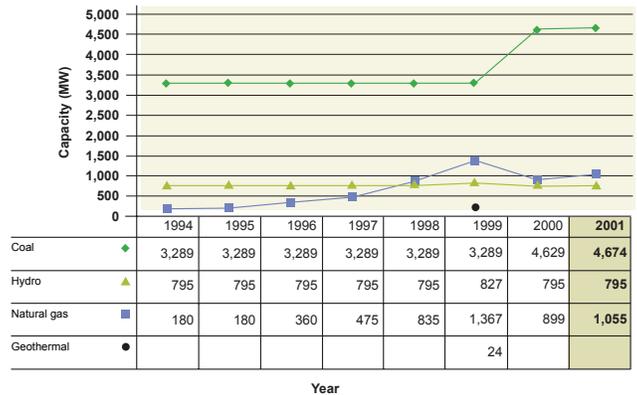
TransAlta Corporation is Canada's largest non-regulated electric generation and marketing company, with more than \$7 billion in assets and 9,000 megawatts of capacity in operation or under construction. As one of North America's lowest cost operators, our growth is focused on developing coal and gas-fired generation in Canada, the U.S. and Mexico. TransAlta is an investor owned and publicly traded company.

TransAlta has 2,550 full-time equivalent employees working in 30 power plants and five corporate offices in Australia, Canada, Mexico and the United States. In 2001, TransAlta produced over 39,867 gigawatt hours (GWh) of electricity.

CAPACITY FUEL MIX



CAPACITY (MW)



Geothermal capacity in 1999 was from assets in New Zealand since divested.

In 2001 TransAlta continued our growth and transformation. Major changes in 2001 include:

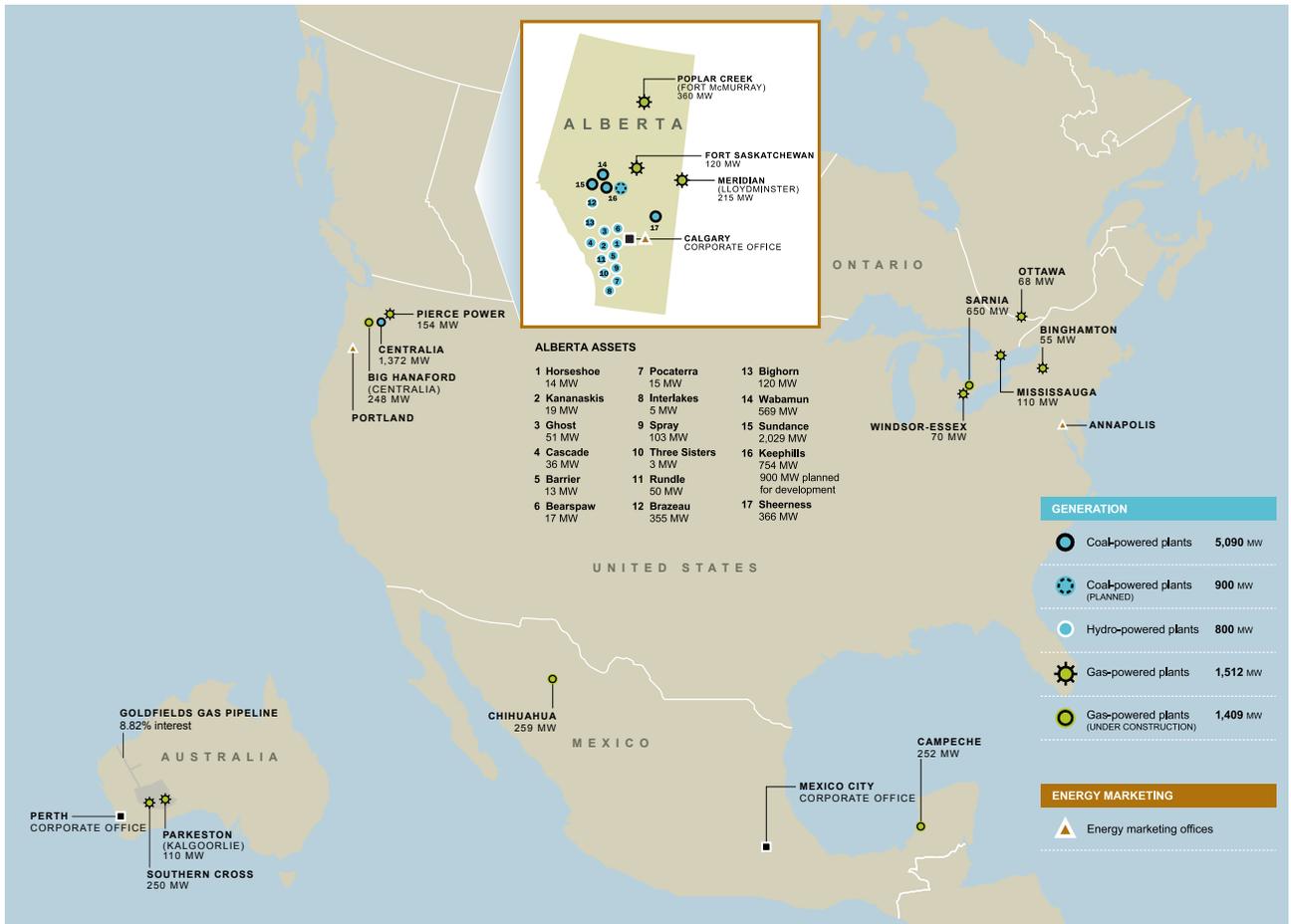
- Announced the sale of our Alberta Transmission assets to Altalink for approximately \$850 million, with the sale expected to close in the first half of 2002. The sale affects 250 full-time employees, all of whom are expected to be retained by Altalink or SNC-Lavalin
- Listed common shares on the New York Stock Exchange
- Announced plans to add 900 megawatts (MW) to our Keephills coal-fired power plant by 2005
- Formed a strategic alliance with MidAmerican Energy Holdings Company to develop, build and operate power plants in North America
- Continued construction on our 650 MW Sarnia Regional Cogeneration project Sarnia, Ontario (Canada's largest cogeneration plant) and our 252 MW Campeche power project in Mexico
- Won a second bid to build a gas-fired power plant in Chihuahua, Mexico
- Purchased a 55 megawatt peaking power plant in Binghamton, New York
- Began construction of a 248 megawatt gas-fired addition to our Centralia site, to be completed by July 2002
- Installed the first of two sulphur dioxide scrubbers at our Centralia coal-fired facility
- Invested \$9.4 million in companies involved in wind power and distributed generation
- Sold the Mildred Lake and Fort Nelson gas-fired plants and the Edmonton Composter

TransAlta operations

TransAlta generates electricity from coal, natural gas and water. In 2000, our percentage of coal-fired generation grew to 72 per cent of our worldwide fuel mix with the addition of our Centralia plant. That mix has remained constant in 2001. Our long-term goal is to have no more than 30 per cent of our business in any one fuel or market.

Information in this section is based on the scope for sustainable development reporting, as described in 'About This Report'.

OPERATIONS MAP



About this report

TransAlta has followed, as much as possible, the Global Reporting Initiative (GRI) guidelines for completing this year's report. A more complete discussion of our adherence to the GRI can be found in "GRI Reporting".

To determine the corporate balance sheet for greenhouse gases, TransAlta followed the World Business Council for Sustainable Development and World Resource Institute's "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard". The exception is that TransAlta does not report on all areas of indirect greenhouse emissions suggested by "The Greenhouse Gas Protocol". In keeping with our inclusion principles stated below, we do not report on indirect emissions from employee business travel, employee commutes, or the production and transport of imported materials.

It should also be noted that some statistics in this report vary slightly from those appearing in the TransAlta Corporation 2001 Annual Report. Our sustainable development reporting only accounts for those facilities where we have environment, health and safety responsibilities, and is not based on financial ownership. The key differences in this report are:

- Our total energy generated in 2001 was 39,867 GWh (10 per cent less than reported in the corporate annual report)
- We do not report on facilities under construction
- We report total full-time equivalent employees as opposed to total number of full-time and part-time employees at year-end

Inclusion principles

- TransAlta reports 100 per cent of all environmental and financial data for generating facilities for which we hold the operating permit or licence, regardless of financial ownership position
- We report for 100 per cent of the non-generating facilities we own and operate.
- TransAlta reports a full year of data for every facility which we acquired in any calendar year, and which we hold the permit or license to operate
- TransAlta does not report any data from facilities or operations that were discontinued in any calendar year
- TransAlta reports all health, safety and social data relating to all current employees, regardless of where they work

Reporting entity

- Reporting is structured by country, and aggregated corporately
- We include impacts from mining contractors' activities performed on TransAlta sites with the exception of contractor safety
- We do not include construction contractor activities
- This report does not include activities done by TransAlta joint-venture partners
- It covers only direct operational impacts but does not cover supply chain impacts such as emissions from product suppliers

Reporting scope

- This report covers the period Jan. 1, 2001 to Dec. 31, 2001 for operations in Australia, Canada, Mexico and the U.S.
- We report on all three elements of our sustainable development performance - environmental, economic, and social data.
- We only claim those achievements that are directly attributable to our actions.
- We do not claim upstream or downstream impacts or benefits.
- This report includes all known sources of emissions.
- This report comments on the performance of the following operations;
 - Sundance, Keephills and Wabamun power plants, Highvale and Whitewood mines, Fort Saskatchewan cogeneration plant and 13 hydro facilities in Alberta, Canada
 - Meridian cogeneration plant in Saskatchewan, Canada
 - Windsor-Essex, Mississauga and Ottawa cogeneration plants in Ontario, Canada
 - Binghamton plant in New York, U.S.
 - Centralia plant and mine and Pierce power plant in Washington, U.S.
 - Parkeston and Southern Cross power plants in Australia.

In addition to these facilities, this report includes TransAlta's Transmission business unit in Alberta, Canada and corporate activities in Australia, Canada, Mexico and U.S. In keeping with our Inclusion Rules, only data regarding our employees at Poplar Creek Power Station in Alberta, Canada is included.

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GRI reporting

As an early entrant into the world of sustainability reporting, TransAlta has recognized the need for improved international corporate standards for reporting. In recent years the Global Reporting Initiative (GRI) has fulfilled this role, working with industry, various levels of government and non-government organizations to develop international guidelines for sustainability reporting that encourage organizations to extend the scope and quality of their reports. We believe that the GRI sets the de facto standard for corporate reporting worldwide,

For the last three years, TransAlta has tried to follow as closely as possible the GRI reporting guidelines as they evolved. We have also worked as part of the GRI to help develop new guidelines.

As we were preparing to publish TransAlta's 2001 Sustainable Development Annual Report in April 2002, the GRI issued their first draft of the new "2002 Sustainability Reporting Guidelines."

This section provides two components required by the draft 2002 guidelines:

1. A table of environmental, economic and social indicators consistent with those identified in the new guidelines
2. A content index that correlates the key elements of the GRI guidelines with the pages of TransAlta's report in which those elements are addressed

There are several areas where TransAlta cannot conform to the 2002 GRI Draft Guidelines, because we either do not acquire the data, do not have explicit policies, or cannot divulge the information for confidentiality or competitive reasons. Therefore we cannot declare this year's report "in accordance with the 2002 GRI Draft Guidelines". However, we believe we are substantively close to these rigorous requirements.

GRI INDEX

The following index table identifies the relevant sections in this report that coincide with the components required by the GRI 2002 Draft Reporting Guidelines for Sustainability Reporting.

Vision and strategy		Profile		Management systems		Economic core		Environmental core		Social core	
1.1	pg 1	2.1	pg 3	3.1	pg 37	Customers		Materials		Employment and decent work	
1.2	pg 1	2.2	pg 3	3.2	pg 89	EC1	pg 10	EN1	pg 11	LA1	pg 14
		2.3	pg 3	3.3	pg 89	EC2	pg 10	EN2	pg 11	LA2	pg 14
		2.4	pg 4	3.4	not reported	EC3	pg 10	Energy		Industrial relations	
		2.5	pg 3	3.5	pg 89	Suppliers		EN3	pg 11	LA3	pg 14
		2.6	pg 4, 37	3.6	not reported	EC4	pg 10	EN4	pg 11	LA4	pg 14
		2.7	pg 58	3.7	pg 89	EC5	pg 10	Water		Health and safety	
		2.8	pg 37	3.8	pg 46	EC6	pg 10	EN5	pg 11	LA5	pg 14
		2.9	pg 7	3.9	not reported	Employees		EN6	pg 11	LA6	pg 14
		2.10	pg 7	3.10	not reported	EC7	pg 10	Biodiversity		Training and education	
		2.11	pg 3	3.11	pg 58	Funders		EN7	pg 12	LA7	pg 15
		2.12	pg 7	3.12	pg 58	EC8	pg 10	EN8	pg 12	Diversity and opportunity	
		2.13	pg 6	3.13	pg 58	EC9	pg 10	EN9	pg 12	LA8	pg 15
		2.14	pg 4	3.14	pg 58	Public sector		Emissions, effluents and waste		LA9	pg 15
		2.15	pg 6	3.15	not reported	EC10	pg 11	EN10	pg 12	Strategy and management	
		2.16	pg 3	3.16	not reported	EC11	pg 11	EN11	pg 12	HR1	pg 15
		2.17	pg 25	3.17	not reported	Indirect economic impacts		EN12	pg 12	HR2	pg 15
		2.18	pg 3	3.18	pg 25	EC12	pg 11	EN13	pg 12	Non-discrimination	
		2.19	pg 7	3.19	not reported			EN14	pg 13	HR3	pg 15
		2.10	pg 6	3.20	not reported			Suppliers		Freedom of association and collective bargaining	
				3.21	pg 23					HR4	pg 15
				3.22	pg 24			Products and services		Child labour	
								EN15	pg 13	HR5	pg 15
								EN16	pg 13	Forced and compulsory labour	
								EN17	pg 13	HR6	pg 15
								EN17	pg 13	Disciplinary practices	
								Compliance		not reported	
								EN18	pg 13	Security practices	
								Transport		pg 50	
								Other expenditures		Indigenous rights	
								EN19	pg 13	pg 62	
								Suppliers		General human rights	
										HR7	pg 16
								Products and services		Consumer health and safety	
										SO1	pg 16
								Transport		Product and services declaration	
										SO2	pg 16
								Other expenditures		Advertising	
										SO3	pg 16
								Transport		Respect for privacy	
										SO4	pg 17
								Other expenditures		Customer satisfaction	
										SO5	pg 17
								Transport		Bribery and corruption	
										SO6	pg 17
								Other expenditures		Political contributions	
										SO7	pg 17
								Transport		Public policy	
										pg 25	
								Other expenditures		Competition and pricing	
										SO8	pg 17
								Transport		Corporate citizenship	
										pg 45	
								Other expenditures		Community	
										SO9	pg 17
										SO10	pg 17

GRI CORE INDICATORS

The following table addresses, as completely as possible in format and substance, the core indicators suggested in the GRI 2002 Draft Guidelines for Sustainability Reporting.

ECONOMIC PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
CUSTOMERS	
Monetary Distribution Indicator:	
EC1. Monetary amounts received and receivable by the reporter from customers for the sales of its products and services.	→ Revenue was \$4,927.1 million Canadian.
EC2. Geographic breakdown of 'key' markets by sales. Key markets are defined as greater than 25 per cent turnover within any specific product range or where the reporter country sales represents greater than 5 per cent of national GDP.	→ Refer to "Revenue by Geographic Region" page 41
EC3. Market share of products or product lines / ranges/services Generation in 'key' markets.	→ Refer to "TransAlta's Contribution to Electricity in the Alberta Power Pool" and "TransAlta's Contribution to Electricity Generation in the Pacific Northwest Region" of the U.S. page 43
SUPPLIERS	
Monetary Distribution Indicator:	
EC4. Monetary payments and payables by the reporter to suppliers for all goods, materials, and services purchased.	→ Operation and maintenance expenses were \$444.5 million, included in this is employee compensation.
EC5. For 'key' suppliers: percent of purchasing spent per supplier and main invoicing country. 'Key' is defined as greater than 10 per cent of total purchasing spent with a given supplier or where total reporter purchasing spent in a particular country represents greater than 5 per cent of national GDP.	→ No information available
EC6. Per cent of contracts paid in accordance with agreed terms, excluding agreed penalty arrangements.	→ No information available
EMPLOYEES	
Monetary Distribution Indicator:	
EC7. Monetary value of total remuneration to employees (including wages, pension, and other benefits and redundancy payments) broken down by geographic region. Total remuneration should refer to current payments and not include future commitments.	→ Total remuneration in 2001 was \$234 million (Canadian dollars)
FUNDERS	
EC8. Interest on debt and common share dividend payments. Any arrears in preferred dividends should be stated.	→ Common dividend share payments were \$168.4 million (Canadian dollars)
EC9. Return On Average Capital Employed (ROACE)	→ Return on invested capital was 6.78 per cent in 2001

ECONOMIC PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
PUBLIC SECTOR	
EC10. Total sum of taxes paid broken down by geographic region.	<ul style="list-style-type: none"> → Income tax paid in 2001 was \$41.4 million → Municipal tax paid in 2001 was \$32.6 million
EC11. Subsidies received broken down by geographic region.	<ul style="list-style-type: none"> → No information available
INDIRECT ECONOMIC IMPACTS	
EC12. Describe the organization's indirect economic impacts. Indirect impacts tend to be highly specific to sectors or individual organizations. The appropriate analysis will depend strongly on variables such as the size and geographic spread of the company, and the nature of its operations, products, supply chain, and customer base.	<ul style="list-style-type: none"> → Refer to 'Contributing to prosperity' page 43

ENVIRONMENTAL PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
MATERIALS	
EN1. Total materials use, other than fuel and water (tonnes or kilograms).	<ul style="list-style-type: none"> → 30,000 tonnes from Canadian operations
EN2. Percentage of materials used that are processed or unprocessed wastes from sources external to the reporting organisation (tonnes or kilograms). Refers to both post consumer recycled material and waste from industrial sources.	<ul style="list-style-type: none"> → Not applicable to TransAlta's operations
ENERGY	
EN3. Direct energy use (joules). Report on all energy sources used by the reporting organization for its own uses as well as for the production and delivery of energy products (e.g.electricity or heat) to other organizations. See GRI Energy Protocol (forthcoming).	<ul style="list-style-type: none"> → Coal consumption was 412 million GJ. Natural gas consumption was 101 million GJ
EN4. Indirect energy (joules). Report on all energy used to produce and deliver energy products purchased by the reporting organization (e.g. electricity or heat). See GRI Energy Protocol (forthcoming).	<ul style="list-style-type: none"> → No information available
WATER	
EN5. Total water use. See GRI Water Protocol (forthcoming).	<ul style="list-style-type: none"> → Total water intake was 615 million m³ → Total water release was 575 million m³ → Total water consumption was 40 million m³
EN6. Total recycling and reuse of water. Includes wastewater and other used water (i.e.cooling water). See GRI Water Protocol (forthcoming).	<ul style="list-style-type: none"> → No information available.

ENVIRONMENTAL PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
BIODIVERSITY	
<p>EN7. Total amount of land owned, leased, or managed by the organization.</p>	<p>→ Total land used was 22,030 hectares</p>
<p>EN8. Location and size of land owned, leased, or managed in biodiversity-rich habitats. Further guidance on bio-diversity rich habitats may found at www.globalreporting.org (forthcoming).</p>	<p>→ None, as far as can be determined</p>
<p>EN9. Description of the major impacts on biodiversity associated with the organization's activities and/or products and services interrestrial, freshwater, and marine environments.</p>	<p>→ Land use page 32</p> <p>→ Hydroelectric operations page 35</p> <p>→ Water page 34</p>
EMISSIONS, EFFLUENTS, AND WASTE	
<p>EN10. Greenhouse gas emissions (CO², CH₄, N₂O, HFCs, PFCs, SF₆). Report separate subtotals for each gas in tonnes and in tonnes of CO² equivalent for the following:</p> <ul style="list-style-type: none"> → Direct emissions from sources owned or controlled by the reporting entity → Indirect emissions from imported electricity heat or steam 	<p>→ Refer to page 26 for a description of TransAlta's Greenhouse Gas Emissions</p> <p>→ Refer to TransAlta's greenhouse gas emissions page 26</p> <p>→ See TransAlta's report to the Canadian Voluntary Challenge and Registry Report page 68</p>
<p>EN11. Ozone depleting substances emissions (report in accordance with Montreal Protocol Annexes A, B, C, and E) in tonnes of CFC-11 equivalents (ozone depleting potential).</p>	<p>→ CFC-11 emissions were 260 kg</p>
<p>EN12. NO_x, SO_x, and other significant air emissions by type. Include emissions of substances regulated under:</p> <ul style="list-style-type: none"> → Local laws and regulations → Montreal Protocol (Annexes A, B, C, and E) → Stockholm POPs Convention (Annex A, B, and C) <ul style="list-style-type: none"> - persistent organic pollutants → Rotterdam Convention on Prior Informed Consent (PIC) → Basel Convention (Annex I, II, III and VII,) -hazardous waste → Helsinki, Sofia, and Geneva Protocols to the Convention on Long-Range Trans-boundary Air Pollution 	<p>→ For detailed data on NO_x, SO₂, and particulate matter emissions refer to page 28</p> <p>→ For a country by country breakdown of TransAlta's NO_x, SO₂, and other significant air emissions by type refer to the 'Statistical summary' page 75</p> <p>→ For detailed listing of toxic releases refer to page 75</p>
<p>EN13. Total amount of waste by type and destination. 'Destination' refers to the method by which waste is treated, including composting, reuse, recycling, recovery, incineration, or landfilling. Explain estimation method.</p>	<p>→ Total non-hazardous waste disposed was 1,810 tonnes</p> <p>→ Total hazardous waste disposed was 1,200 tonnes</p>

ENVIRONMENTAL PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
EFFLUENTS TO WATER	
<p>EN14. Significant discharges to water by type. See GRI Water Protocol (forthcoming).</p>	<p>→ No data available.</p>
PRODUCTS AND SERVICES	
<p>EN15. Describe and quantify (where relevant) major environmental impacts at each stage of the life cycle of principle products and services. In particular, the extent to which use, consumption, storage, and/or disposal/treatment of the reporter's products and services entails the generation, depletion, or use of:</p> <ul style="list-style-type: none"> → Ozone depleting substances (listed in Annexes A, B, C, and E of the Montreal Protocol) → POPs (listed in Annex A and B of the Stockholm POPs Convention) → Substances subject to the Rotterdam Convention on PIC → Hazardous chemicals/materials according to Basel Convention (Annex I, II, III, and VIII) → Endangered species listed in CITES Appendices I-III → Greenhouse emissions covered by the Kyoto Protocol → Radioactive substances → Limited natural resources → Significant hazards or nuisances such as regulated pollutants, dust, and noise, etc. 	<p>→ Primary energy and resource direct impacts are described in the 'Environmental performance' section of this report page 22</p> <p>→ Post-generation impacts of our electricity product are minimal</p>
<p>EN16. Percentage of weight/volume of products sold that are reclaimed by thereporting organization after use.</p>	<p>→ Not applicable to TransAlta's operations.</p>
<p>EN17. Describe product and service stewardship initiatives across the entire life cycle of the product, including efforts to improve product design and lessen impacts associated with manufacturing, use, and final disposal.</p>	<p>→ TransAlta's product is electricity and as such has minimal post-generation impacts in its use</p>
COMPLIANCE	
<p>EN18. Penalties for non-compliance with al applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues. Explain in terms of countries of operation.</p>	<p>→ TransAlta incurred 48 environmental contraventions resulting in five enforcement action and \$1,320 in fines.</p>
<p>EN19. Policies and procedures to minimize the environmental impacts of the reporting organization's operations and activities. This may include policies and procedures for issues such as biodiversity conservation and the use of environmental impact assessments, climate change, pollution prevention/waste minimization/cleaner production, etc.</p>	<p>→ TransAlta has an ISO 14001 management system</p> <p>→ See TransAlta's 'Environmental policy' page 23</p>

SOCIAL PERFORMANCE INDICATOR

Core Indicator

TransAlta's Performance

EMPLOYMENT AND DECENT WORK

LA1. Geographical breakdown of workforce by status (employee / non employee), employment type (full time / part time), and by employment contract (indefinite or permanent / fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented geographically

- See 'Employees by geographic region' page 43
- See 'Our people' page 49

LA2. Employment net creation and average turn over segmented by geographical area.

- See 'Employees by geographic region' page 43
- See 'Our people' page 49

INDUSTRIAL RELATIONS

LA3. Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down geographically.

- 59 per cent of TransAlta's workforce is unionized

LA4. Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting entity's operations (i.e. restructuring)

- Not addressed

HEALTH AND SAFETY

LA5. Describe reporter practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

- Occupational accidents are reported to the appropriate authority. Disability cases are disclosed in the 'Statistical summary' section of this report page 77

LA6. Existence of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.

- TransAlta has a corporate-wide health and wellness team
- TransAlta's Generation safety challenge team is comprised of management and worker representatives
- A workforce representative functions as the safety supervisor for each of TransAlta's plants

TRAINING AND EDUCATION

LA7. Average hours of training per year per employee by category of employee (e.g. senior management, middle management, professional, technical, administrative, production, and maintenance).

- Health and safety training averaged 10 hours/employee
- Environmental training average one hour/employee
- Further detail on training is not available

SOCIAL PERFORMANCE INDICATOR

Core Indicator	TransAlta's Performance
DIVERSITY AND OPPORTUNITY	
LA8. Existence of equal opportunity policies or programs and any related policies such as those that address workplace harassment as well as monitoring systems to ensure compliance and results of monitoring.	→ TransAlta's corporate Code of Conduct requires "practice the principle of equal employment opportunity without regard to race, religion, national origin, gender, age, physical disability or political affiliation" For more information on workplace diversity refer to 'Our people' page 49
LA9. Female/male ratio in senior management and corporate governance bodies (including the Board of Directors)	→ Women hold 20 per cent of the senior management positions at TransAlta.

SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS

Core Indicator	TransAlta's Performance
STRATEGY AND MANAGEMENT	
HR1. Existence and description of policies, guidelines, and procedures to deal with all aspects of human rights relevant to the reporter's operations, including monitoring mechanisms and results. State how policies related to existing international standards such as the Universal Declaration and key ILO conventions.	→ TransAlta's Code of Conduct requires "a shared responsibility on behalf of all employees to exercise the basic principles of respect and dignity in all working relationships"
HR2. Description or map of organizational structure for human rights compliance and key offices or individuals responsible.	→ Not specifically addressed
NON-DISCRIMINATION	
HR3. Existence and description of global policy and procedures/programs excluding discrimination in reporter's operations, including monitoring systems and results of monitoring.	→ TransAlta has a zero tolerance policy for any form of harassment, including sexual harassment, racism, sexism, or intimidation
FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING	
HR4. Existence and description of freedom of association policy and extent to which this policy is universally applied independently of local laws, as well as description of procedures/programs to address this issue.	→ TransAlta does not have a policy on this issue since this is a freedom afforded citizens in all our operating areas
CHILD LABOUR	
HR5. Existence and description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring. See GRI Child Labour Protocol (forthcoming).	→ TransAlta does not hire children
FORCED & COMPULSORY LABOUR	
HR6. Existence and description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	→ Forced labour is illegal in all our operating areas

SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS

Core Indicator	TransAlta's Performance
<p>INDIGENOUS RIGHTS</p>	<p>→ TransAlta's Aboriginal relations policy states "TransAlta is committed to building and maintaining open and positive long-term, mutually beneficial and sustainable relationships with the Aboriginal/Indigenous community wherever we conduct operations and will, in a practical way, develop strategies that work together for our mutual benefit"</p> <p>→ TransAlta has made to commitment to hire and train aboriginal employees and encourages contractors to do the same</p>
<p>GENERAL</p> <p>HR7. Description of policies and procedures to evaluate and address human rights performance within the reporting organization's supply chain and contractors, including monitoring systems and results of monitoring. Human rights performance refers to the aspects of human rights identified as reporting aspects in the GRI performance indicators.</p>	<p>→ Not addressed</p>

SOCIAL PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
<p>CUSTOMER HEALTH AND SAFETY</p> <p>SO1. Existence and description of policy for preserving customer health and safety during use of reporting organization's products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue including monitoring systems and results of monitoring. Explain rationale for any use of multiple standards in marketing and sales of products.</p>	<p>→ TransAlta has only a few industrial customers and therefore little opportunity to affect customer health</p>
<p>PRODUCT AND SERVICE DECLARATION</p> <p>SO2. Existence and description of reporting organization's policy, procedures/management systems, and compliance mechanisms related to product information and labeling.</p>	<p>→ Not applicable to TransAlta's operations</p>
<p>ADVERTISING</p> <p>SO3. Existence and description of reporting organization's advertising policy, procedures / management systems, and compliance mechanisms with respect to standards for social and environmental responsibility. Identify geographic areas covered by policy.</p>	<p>→ TransAlta does not advertise our product</p>

SOCIAL PERFORMANCE INDICATORS

Core Indicator	TransAlta's Performance
RESPECT FOR PRIVACY	
<p>SO4. Description of reporting organization's policy, procedures/management systems, and compliance mechanisms for customer privacy to ensure that data is not circulated without the explicit consent of the concerned customers. Identify geographic areas covered by policy.</p>	<p>→ TransAlta's Code of Conduct requires that "TransAlta and its employees act honestly and with integrity in all business relationships with competitors, potential business</p>
<p>SO5. Existence and description of reporting organization's policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring consumer satisfaction. Identify geographic areas covered by policy.</p>	<p>→ No formal process</p>
BRIBERY AND CORRUPTION	
<p>SO6. Description of reporting organization's policy, procedures/management systems, and compliance mechanisms for organizations and employees regarding bribery and corruption, including a description of how the organization meets the requirements of the OECD Convention on Combating Bribery.</p>	<p>→ TransAlta requires all employees to adhere to the company "Corruption of Foreign Officials" policy which states: "Employees are strictly prohibited from directly, or indirectly, offering officials of foreign governments bribes, in any form, for the purpose of obtaining business for the company"</p> <p>→ TransAlta's policy recognizes the requirements of 'OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions'</p>
POLITICAL CONTRIBUTIONS	
<p>SO7. Description of reporting organization's policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.</p>	<p>→ TransAlta has a policy that governs political contributions</p>
COMPETITION AND PRICING	
<p>SO8. Description of reporting organization's policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behaviour.</p>	<p>→ TransAlta's Code of Conduct requires that collaborate with competitors to divide markets, "TransAlta and its employees do not collude or restrict production or fix prices"</p>
COMMUNITY	
<p>SO9. Existence and description of Community Impact Policy, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue including monitoring systems and results of monitoring.</p>	<p>→ TransAlta's Code of Conduct requires the company to "give back to the communities in which we do business by focusing on activities that make a meaningful difference" and requires TransAlta to "respect the cultures and customs of the places where we operate without compromising consistent ethical standards"</p>
<p>SO10. Describe reporting organization's policies and procedures for identifying and engaging in dialogue with community stakeholders in areas affected by the reporting organization's activities.</p>	<p>→ TransAlta's community investment and stakeholder relations practices and procedures are described beginning</p>

Executive summary

Environmental Performance

- For the third consecutive year, TransAlta was listed on the Dow Jones Sustainability World Index. We were one of only four North American power generation companies to be included in this index of the world's most sustainable companies
- We were added to the prestigious FTSE4 Good Global Index for our environmental performance
- By year-end 2001, TransAlta's three Ontario gas-fired generation facilities, 13 hydroelectric facilities, three Alberta coal-fired facilities, the Centralia power plant and mine, our Australian facilities and our Transmission business all had ISO 14001 compliant environmental management systems in place
- TransAlta more than doubled investments in renewable energy and distributed generation, announcing investments in three innovative companies through the Sustainable Development and Technology Fund. In the last two years, we have invested more than \$23 million in renewable energy and distributed generation
- On July 1, TransAlta became the first company in Calgary to have the electricity needs of our corporate headquarters met through wind generation
- Environmental regulatory contraventions were down 14 per cent from 2000
- Emissions of sulphur dioxide dropped 13 per cent (17,000 tonnes) with the installation of a new scrubber at Centralia. In 2002, a second scrubbing unit will be completed, bringing our sulphur dioxide emissions even lower
- TransAlta's worldwide net Greenhouse gas emissions dropped 34,000 tonnes from 2000
- TransAlta's worldwide net greenhouse gas emissions rate has improved 20 per cent since 1990

Economic Performance

- Produced over 39,867 gigawatt hours (GWh) of electricity
- Paid \$238 million in wages and incentive pay
- Paid \$41 million in income tax to state, provincial and federal taxes
- Earnings from continuing operations were up 27 per cent in 2001 - the third consecutive year of such an increase. Our cash flow was a company record of \$715 million
- Announced the sale of our Alberta Transmission assets to Altalink for approximately \$850 million
- Listed of common shares on the New York Stock Exchange
- Announced plans to add 900 megawatts to our Keephills coal-fired power plant by 2005
- Formed a strategic alliance with MidAmerican Energy Holdings Company to develop, build and operate power plants in North America
- Continued construction on our 650 megawatt (MW) power project in Sarnia, Ontario (Canada's largest cogeneration plant) and the 252 MW Campeche power project in Mexico
- Won a second bid to build a gas-fired power plant in Chihuahua Mexico
- Purchased a 55 MW peaking power plant in Binghamton, New York
- Began construction of a 248 MW gas-fired addition to our Centralia site, to be completed by July 2002

- Invested \$9.4 million in companies involved in wind power and distributed generation
- Sold the Mildred Lake and Fort Nelson gas-fired plants and the Edmonton Composter

Social Performance

- Reduced our corporate recordable injury frequency rate by 20 per cent
- Developed an integrated management system that brings together our ISO 14001 environmental system and our health and safety programs
- Hydro employees marked their fourth year without a lost-time or medical aid incident
- Poplar Creek facility employees achieved six years without a lost-time incident
- Australia employees celebrated five years without a lost-time incident
- Improved disability case management reducing costs for short and long-term disability costs by \$541,000
- Invested \$4.99 million in the community through sponsorships and donations
- Signed a ten-year rail and road agreement with the Paul First Nation
- Conducted extensive public consultation about the proposed expansion of Keephills power plant
- Signed a memorandum of understanding with the Committee on Keephills Environment addressing the committee's concerns with the proposed Centennial project
- Awarded 39 post-secondary scholarships to children of TransAlta employees and retirees
- Won the national Business in the Arts - Arts/Entrepreneur Partnership award for support of Fringe Theatre Adventures
- Won the Centralia Chamber of Commerce "2000 Business of the Year" award for our commitment to the community

Performance against objectives

	2001 Goals	Performance
Safety	Achieve a corporate-wide recordable injury frequency rate of 2.0.	Achieved a 1.84 recordable injury frequency rate.
	Achieve Alberta Certificate of Recognition for safety management system.	Not achieved.
Environment, Health and Safety Management	Reduce combined environmental compliance events by 25 per cent from 2000 levels.	Achieved a 14 per cent reduction from 2000. Significant reduction in air contraventions was off set by increase in water related contraventions.
	Australia, Centralia and Transmission declare compliance with ISO 14001 standards by year end.	All regions were fully compliant by year-end.
	Integrate occupational health programs into the ISO 14001 Environmental Management System for Transmission and Ontario operations.	Achieved. A fully integrated, ISO-based environment, health and safety management system was implemented in both areas.
	Pass surveillance audits by registrar for parts of the company with external ISO registration.	Achieved. Three surveillance audits were conducted; one for each of Wabamun, Sundance and Keephills facilities. All three maintained their ISO registration status.
Greenhouse Gases	Invest in new offset projects to the level of two million tonnes.	Achieved. Purchased 3.54 million tonnes carbon dioxide equivalent (CO ₂ E) offsets.
	Continue to play a leading role in local, national and international greenhouse gas policy discussions	Continued to participate in national, regional and international greenhouse gas policy discussions including participation in the International Emissions Trading Association, Energy for a Clean Air Future, the PEW Centre on Global Climate Change, the Canadian Electricity Association, the Canadian Volunteer Registry and Participation program in addition to direct bilateral discussions with policy makers.
Renewable Energy	Increase our investment in renewable energy projects.	In February, TransAlta announced a second \$5 million investment in Vision Quest Windelectric Inc.
	Replace some of TransAlta's own energy use with green energy.	In July TransAlta officially switched our Calgary Head Office power supply to wind energy.
Corporate Social Responsibility	Develop a Corporate Social Responsibility (CSR) policy.	An internal working group is developing a draft CSR position.
Public Reporting	Extend the scope of the independent report audit	A review for 2002 is underway.
		Sponsored a Canada-wide assessment of sustainability reporting by Stratos Inc. The study included a benchmarking of TransAlta's 2000 Sustainable Development Annual Report.

Looking ahead: 2002 goals

Year 2002 Goals	
Health & Safety	<p>Achieve a corporate-wide injury frequency rate of 1.60.</p> <p>Reduce the total duration of short-term disability cases corporate-wide by 10 per cent.</p>
Environment, Health and Safety Management	<p>Reduce combined environmental compliance events by 15 per cent from 2001 levels.</p> <p>Develop a construction and commissioning environment, health and safety (EH&S) management system for new generation projects.</p> <p>In Alberta, combine the EH&S management systems of TransAlta's three large coal-fired plants into a single system, including health and safety.</p> <p>Improve contractor EH&S management through targeted programs and initiatives.</p>
Greenhouse Gases	<p>Increase the level of third-party certification of our greenhouse gas offset portfolio to 60 per cent.</p> <p>Continue to play a leading role in local, national and international greenhouse gas policy discussions.</p>
Renewable Energy	<p>Increase our investment in renewable energy projects.</p>
Air quality	<p>Reduce corporate sulphur dioxide emissions by 20 per cent.</p>
Public Reporting	<p>Extend the scope of the independent report audit.</p>

Less talk. More action.

At TransAlta we recognize that our operations have an impact on the environment and where possible we are taking action to reduce, mitigate or even eliminate those impacts. We are increasing our portfolio of cleaner natural gas-fired generation and working with others to develop clean coal technology, technology that could make coal-fuelled power plants cleaner than gas. We are investing in wind energy and distributed generation - more than any other investor-owned electric generation company in Canada. And we are constantly upgrading and testing our environmental management systems to make sure TransAlta's facilities continually improve their environmental performance.

2001 highlights

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- TransAlta more than doubled investments in renewable energy and distributed generation, announcing investments in three innovative companies through the Sustainable Development and Technology Fund. In the last two years, we have invested more than \$23 million in renewable energy and distributed generation
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- TransAlta's worldwide net greenhouse gas emissions dropped 34,000 tonnes from 2000
- TransAlta's worldwide net greenhouse gas emissions rate has improved 20 per cent since 1990

Environmental management

The Chief Executive Officer and the Board of Directors have ultimate responsibility for TransAlta's environment, health and safety (EH&S) performance. The audit and environment committee is one of the Board's three permanent committees. It reviews the principal risks to the corporation and monitors the systems for managing these risks, receiving regular performance reports from the sustainable development department. The committee, which consists of seven members of the Board (independent of management), met 11 times in 2001.

TransAlta's Sustainable Development department is responsible for establishing and maintaining corporate EH&S standards, and has a corporate governance role in assessing and reporting on adherence to these standards and regulatory requirements. The department is also responsible for leading development of TransAlta's greenhouse gas strategy and the implementation of our offsets program.

In early 2002 the Sustainable Development department and TransAlta's EH&S teams were amalgamated into a business service organization in order to deliver improved EH&S performance across the entire corporation.

TransAlta has 54 employees who spend the majority of their time working in EH&S management.

ENVIRONMENTAL POLICY

TransAlta's environmental policy is approved by the Board of Directors and guides our business practices.

TransAlta will:

- meet or surpass all environmental legislation, regulations and other applicable requirements and continuously improve the company's environmental performance consistent with defined goals;
- fully integrate environmental and economic considerations into our processes of planning, constructing, operating and decommissioning;
- ensure that the environmental impacts and risks of company activities are identified, assessed and managed;
- support socially responsible laws and regulations and, where appropriate, market-based and voluntary approaches for achieving environmental objectives;
- inform and encourage meaningful consultation and collaboration with employees, customers, contractors and the public related to the company's operations and its impact on the environment;
- be an environmentally responsible neighbour in the communities in which we operate and act promptly and responsibly to correct incidents or conditions that endanger the environment and inform those who may be affected;
- achieve ongoing improvements in eco-efficiency through reductions in wastes and emissions per unit of electrical and thermal energy produced and delivered;
- identify and develop new business practices and business opportunities which represent solutions to environmental problems and create value for shareholders;
- use an environmental management system to set environmental objectives and targets that support this policy and regularly review performance against these objectives with senior management; and
- use a performance assurance process to assess compliance with this policy and our environmental management system, with performance assurance results reported periodically to the Board of Directors.

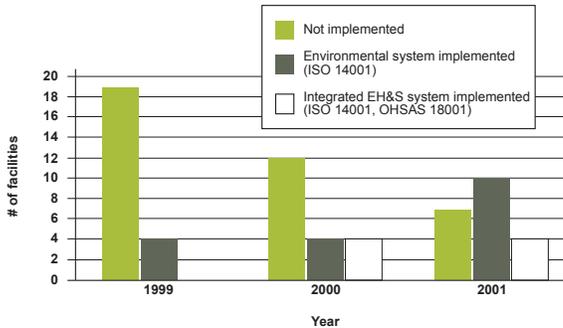
ENVIRONMENTAL MANAGEMENT SYSTEMS

A central element of TransAlta's efforts to reduce our environmental impact is the corporate-wide implementation of a common environmental management system based on the ISO 14001 standard. ISO 14001 is an international standard for environmental management systems that helps ensure corporate compliance with environmental regulations, improves pollution prevention and drives continual improvement in environmental performance.

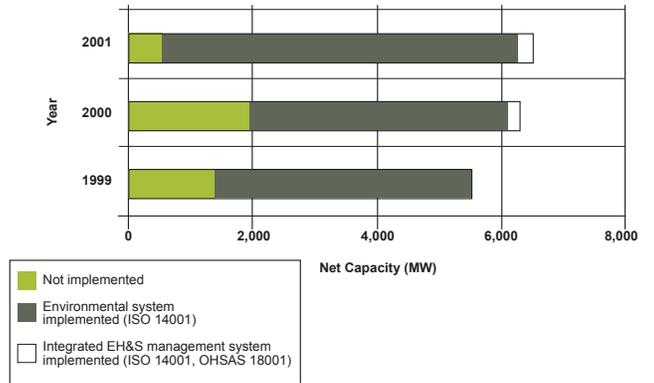
By year-end 2001, TransAlta's three Ontario gas-fired generation facilities, 13 hydroelectric facilities, three Alberta coal-fired facilities, the Centralia power plant and mine, our Australian facilities and our Transmission business all had ISO 14001 systems in place. Centralia is expected to officially register later this year.

In 2001, TransAlta employees had an average of one hour of environmental training per employee.

FACILITY PROGRESS IN IMPLEMENTING EH&S MANAGEMENT SYSTEMS



CAPACITY ACCORDING TO EH&S MANAGEMENT SYSTEM IMPLEMENTATION



In 2001, 91 per cent of TransAlta's generating capacity was covered by an ISO 14001 compliant environmental management system. Four per cent of TransAlta's generating capacity is subject to an integrated environment, health and safety system.

AUDIT, EVALUATION & REPORTING

Auditing is a key element of TransAlta's environment, health and safety (EH&S) management systems. We have two auditing programs. The compliance audit program assesses compliance with environment, health and safety regulations, permits and operating approvals. The management system-auditing program assesses conformance to the defined and documented EH&S management process including conformance to the ISO 14001 standard.

Facilities undergo both types of audits on an average of once every three years, depending on risk and facility performance. In 2001, TransAlta conducted five compliance audits and nine management system audits, working closely with our consulting partners, Jacques Whitford Environment Ltd.

TransAlta submits a number of corporate environmental reports every year to different agencies, regulators and stakeholders. To be more open with our stakeholders we are presenting more complete information than ever and consolidating four reports into our 2001 Sustainable Development Annual Report.

TransAlta belongs to Canada's Voluntary Challenge and Registry Program (VCR), which began in 1995 as a Canadian government initiative to encourage private and public sector organizations to voluntarily reduce greenhouse gas emissions. Our 2001 VCR is included in this report. It can be found in the 'Other Reports' section of this report.

Regulators in Canada, the U.S. and Australia require TransAlta to submit reports on the release of toxic substances. In Canada, we submit a report to the National Pollutant Release Inventory. In the United States, we provide a similar report to the Toxic Release Inventory and in Australia to the National Pollutant Inventory. These reports can be found in Pollutant Inventory.

PUBLIC POLICY

TransAlta contributes to the development of public policy as an active and engaged corporate citizen. Our efforts primarily focus on issues directly involving or affecting TransAlta in Canada, the U.S. and Mexico. In 2001, our work in this area focused primarily on issues related to the Kyoto Protocol and climate change in Canada and the U.S., as well as participation in the development of new air quality standards in Alberta, and the development of Canada Wide Standards for mercury, particulate matter and ozone.

TransAlta's corporate Code of Conduct guides our participation in public policy development and interaction with government officials. Responsibility for TransAlta's participation rests with the Executive Vice President of Sustainable Development and External Relations.

TransAlta's involvement in public policy discussions includes participation in:

- Alberta's Clean Air Strategic Alliance
- Alberta's Climate Change Central
- Canada's Climate Change Voluntary Challenge and Registry
- Canadian Electricity Association
- Edison Electric Institute
- Energy for a Clean Air Future
- International Emissions Trading Association
- International Institute for Sustainable Development
- Independent Power Producers Society of Ontario
- PEW Centre on Global Climate Change, Business Environmental Leadership Council
- World Business Council for Sustainable Development
- BioCap Canada
- Global Reporting Initiative

Air

Maintaining air quality is a priority for TransAlta. As a result, quantifying, understanding and reducing air emissions is an integral part of our environmental stewardship practices. We continually work to maintain air quality and mitigate or reduce our environmental impacts.

TransAlta generates the majority of its electricity by burning fossil fuels, mostly coal and natural gas. Burning coal releases carbon dioxide (CO₂), sulphur dioxide (SO₂), nitrogen oxides (NO_x) and fly ash. These emissions are all components of flue gas released from the plant stacks.

Natural gas-fired power generation also releases CO₂ and NO_x. Acid rain and smog are caused by a combination of emissions of SO₂ and NO_x from a variety of sources.

CO₂ is considered a greenhouse gas. There is a growing consensus among scientists that concentrations of greenhouse gases in the atmosphere are causing the Earth's global temperature to climb. This increase in temperature, known as global warming or climate change, is expected to have long-term effects on the world's environment.

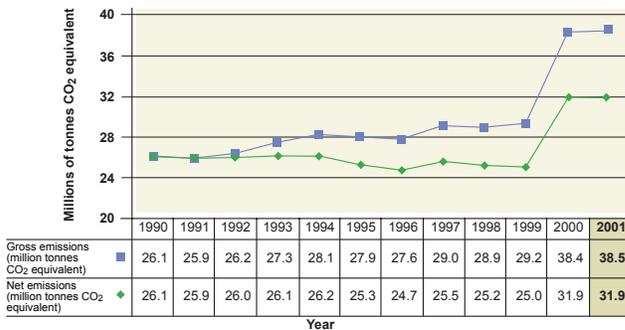
GREENHOUSE GAS EMISSIONS

TransAlta reports both gross and net greenhouse gas emissions. Gross emissions are total emissions before emission reduction actions. Net emissions refer to actual greenhouse gas contribution to the environment accounting for reductions from offsetting activities. Those activities may include achieving efficiency improvements, purchasing renewable energy, emission offsets and bringing on-line less carbon-intensive forms of power generation.

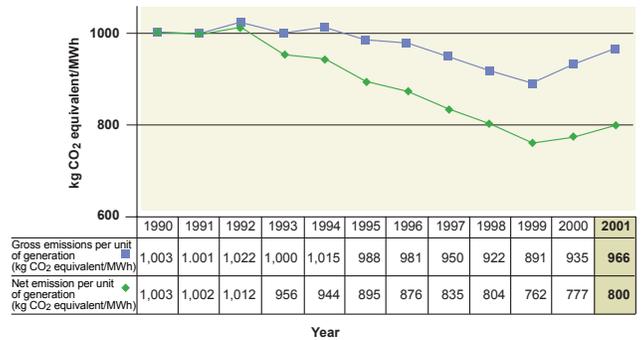
In 2001, TransAlta's worldwide net greenhouse gas emissions dropped by 34,000 tonnes from 2000 as a result of reduced generation at our coal-fired facilities. By the end of 2001, our total net emissions were approximately 31.9 million tonnes of carbon dioxide equivalent (CO₂E).

TransAlta's worldwide net greenhouse gas emissions have grown 23 per cent since 1990 as a result of increased fossil fuel power generation (TransAlta is producing 54 per cent more power than 1990). While total emissions have increased, the amount greenhouse gas produced for every megawatt hour (MWh) of electricity generated continues to decrease. In 2001, TransAlta's net greenhouse gas emissions per megawatt hour showed a 20 per cent improvement over 1990 figures. This emission rate will decrease further as 1,400 MW of new gas-fired generation currently under construction is brought on-line in the next two years. The increase in net emissions in 2000 was the result of acquiring the Centralia plant.

GREENHOUSE GAS EMISSIONS



GREENHOUSE GAS EMISSIONS PER UNIT OF GENERATION



ACTION ON CLIMATE CHANGE

Carbon offsets

Carbon offsets refers to domestic or international actions that reduce, absorb or avoid greenhouse gas emissions. Our portfolio of offsets continued to deliver reductions last year. In 2001, our emission reductions from offset activities totaled over 6.47 million tonnes of carbon dioxide equivalent (CO₂E). Offset projects we have invested in include coal bed methane capture, landfill gas, ruminant methane, energy efficiency, renewables and alternative energy and biological sequestration.

Emission trading

One market-based approach to managing greenhouse gas emissions is emission trading. In an emission reduction trade, a company or organization that has the ability to absorb or reduce greenhouse gas sells emission credits to another organization that needs them anywhere in the world. The result is a financial incentive to reduce emissions and a net reduction in global concentrations of carbon dioxide (CO₂). Along with international partners, TransAlta is proving that market-based mechanisms can work to provide real reductions in atmospheric concentrations of greenhouse gas. TransAlta has completed a number of trades from nearly every continent on the globe. These transactions reduce our net greenhouse gas emissions by just over 68,000 tonnes of CO₂E in 2001.

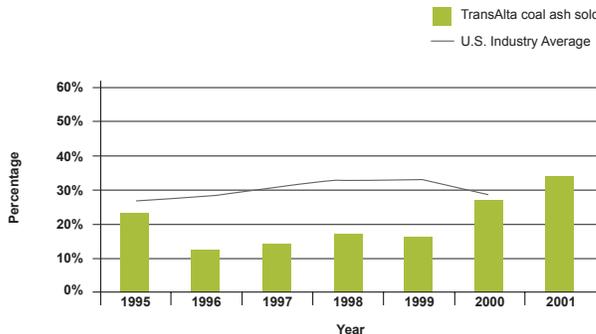
Ash sales

When coal is burned, two kinds of solid waste are left behind – bottom ash and fly ash. Bottom ash is ash that falls to the bottom of the boiler. Fly ash, which is very light, exits the boiler along with the hot gases. The majority of fly ash is collected and removed before the flue gases are dispersed into the atmosphere.

Fly ash is a valuable ingredient in making concrete because of its low-carbon residue, low sodium, light colour, fine consistency and moderate calcium content. Using ash in this manner creates a CO₂ offset by displacing some of the fossil fuels, limestone and electricity used in the production of concrete. Ash is also used in roadbed construction and other building materials. Ash not sold is safely disposed of in approved sites in our mines or ash lagoons next to our operations.

In 2001, TransAlta sold over 35 per cent of the fly ash and bottom ash produced by our coal-fired power plants amounting to more than 537,000 tonnes of fly ash and 307,000 tonnes of bottom ash. Ash sales reduced TransAlta's corporate net CO₂ emissions by 123,100 tonnes in 2001.

COAL ASH UTILIZATION RATE



U.S. industry average for 2001 unavailable at the time of reporting.

TransAlta's ash sales increased with the purchase of the Centralia power plant. Centralia sells approximately 80 per cent of the ash produced.

Renewable energy sources

TransAlta purchases renewable energy in Alberta through the Small Power Research and Development Act (SPRDA). Through this program, TransAlta has signed long-term power purchase contracts at legislated prices with a number of independent renewable energy providers. This power is resold to Alberta consumers. In 2001, TransAlta purchased electricity through the SPRDA that offsets 385,110 tonnes of CO₂E.

In July 2001, TransAlta began supplying our head office electricity needs through wind energy. This has resulted in a reduction of 6,860 tonnes of CO₂E.

Gas-fired generation

TransAlta's gas-fired power plants also contribute emission reductions by using natural gas to generate power, which emits less carbon dioxide than coal. Using a methodology developed by the Pilot Emission Reduction Trading project (PERT) and grid average emission factors taken from the utilities displaced; TransAlta offset 4.7 million tonnes of CO₂E in 2001.

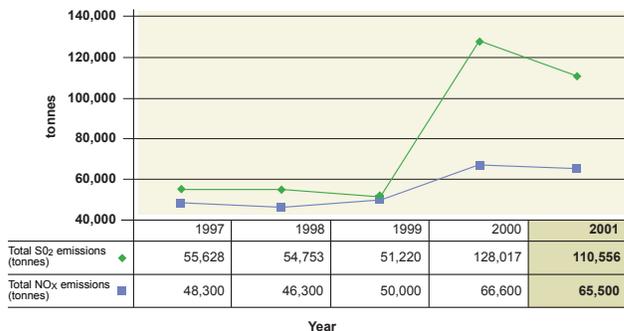
AIR EMISSION PERFORMANCE

Aside from carbon dioxide (CO₂), fossil fuel combustion for electricity generation releases sulphur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter.

TransAlta's SO₂ emissions rose significantly in 2000 with the acquisition of the Centralia coal-fired power plant. Those emissions dropped sharply in 2001 from 3.12 kg/MWh to 2.77 kg/MWh with total emissions dropping over 17,000 tonnes. This improved performance is the result of new \$150 million (U.S.) SO₂ scrubbers installed at Centralia. TransAlta's SO₂ emissions will drop further in 2002 when the second scrubbing unit is brought on-line.

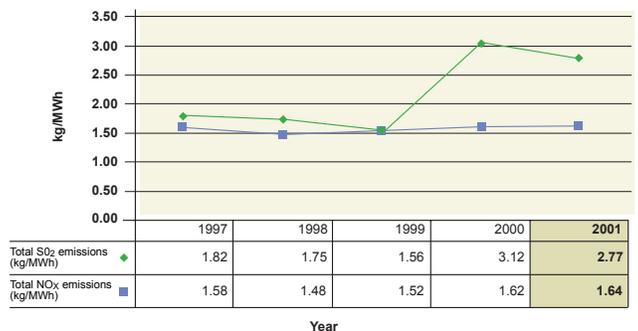
Like SO₂, emissions for NO_x grew with the acquisition of Centralia. In 2001 those levels remained essentially constant at 1.64 kg/MWh or 65,500 tonnes.

SO₂ AND NO_x EMISSIONS



Increases in SO₂ and NO_x emissions in 2000 are due to purchase of Centralia coal-fired power plant. TransAlta is in the process of installing pollution control technology to decrease emissions and reduction from this occurred in 2001.

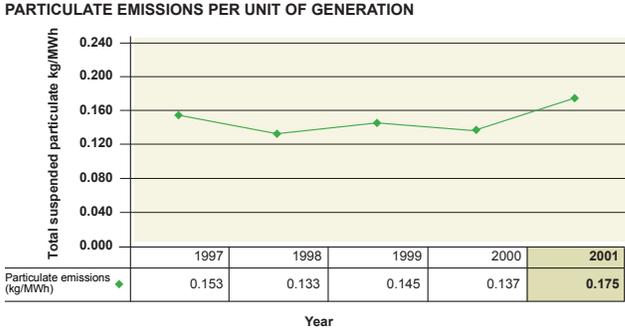
SO₂ AND NO_x EMISSIONS PER UNIT OF GENERATION



Increases in SO₂ and NO_x emissions for 2000 are due to purchase of a coal-fired facility. TransAlta is in the process of installing pollution control technology to decrease emissions. Reduction from this occurred in 2001.

Coal-fired plants also release fly ash, known as particulates. This ash is very light and is dispersed into the atmosphere when it leaves the stack. TransAlta has installed emission control equipment (electrostatic precipitators or bag houses) that capture approximately 99.4 per cent of the ash.

In 2001, our particulate emission rate increased slightly as a result of operations at our Sundance power plant.



REDUCING AIR EMISSIONS

Air quality and emissions monitoring

TransAlta operates a sophisticated system of air quality monitoring stations around each of our coal-fired and gas-fired generation facilities. These systems allow the company to quantify our air emissions, watch for potential environmental impacts and maintain compliance with our operating permits. The exact type of air monitoring system varies depending on the type of generation facility and the requirements of environmental operating permits.

At TransAlta we use opacity meters, ambient air quality monitoring stations, and a number of other measuring devices. Opacity meters measure the amount of light blocked by ash particles in flue gas going up the stack at all TransAlta coal generation facilities. This indicates the amount of particulate entering the atmosphere. Ambient air quality monitoring stations downwind from our plants measure sulphur dioxide (SO₂), nitrogen oxides (NO_x), wind speed and direction. An additional monitoring station is placed upwind of the plant, measuring the 'background' or environmental air quality. This allows TransAlta to quantify our impacts on the ambient air. Other measuring devices measure total sulphation and dustfall (airborne particulates) while high volume samplers monitor levels of suspended particulates. Monitoring within each stack measures SO₂ and NO_x levels in the flue gas stream. From time to time, TransAlta also conducts stack testing for acid gases.

TransAlta participates in local and regional air quality and environmental impact studies to measure and control our environmental impact from air emissions.

Sulphur dioxide (SO₂)

Sulphur dioxide is created through a chemical reaction during the combustion of fossil fuels. Elemental sulphur found in coal or natural gas combines with oxygen, sharing electrons, to form SO₂. Sulphur dioxide is an acidic substance that, in combination with other substances, can cause acid rain and smog.

In Alberta, TransAlta mines coal with a very low sulphur content resulting in low sulphur dioxide emissions from all three of our coal-fired power plants. Since TransAlta began monitoring SO₂ emissions in the 1970s, our Alberta plants have been consistently below Alberta Environment guidelines.

However, our Centralia plant has been a concern for regional stakeholders due to high sulphur dioxide emissions. These emissions were at least partially to blame for regional air quality concerns. As part of TransAlta's agreement to purchase Centralia in 2000, we began an extensive upgrade of the facility's pollution control equipment including the installation of two SO₂ scrubbers. The first of these units came on-line in 2001 resulting in a 21 per cent reduction in Centralia's total SO₂ emission. The second unit will come on-line in 2002 further reducing SO₂ emissions. Centralia will then become one of the cleanest coal-fired power plants in the U.S.

Nitrogen oxides (NO_x)

Nitrogen oxides are produced in the combustion process via two different mechanisms: one when nitrogen in the combustion air combines with oxygen and, two, when the nitrogen in the fuel (natural gas or coal) combines with oxygen. The combination of these two sources are influenced by a variety of factors including the peak gas temperature, the amount of time the gas is exposed to the peak temperature, the mixture of fuel and air, boiler configuration, and fuel type. NO_x contributes to the formation of smog and haze.

As part of our program to upgrade pollution control equipment at Centralia, TransAlta is installing 'Low NO_x' burners in the plant's boilers, which decrease the combustion temperature in the boiler reducing the amount of NO_x created. As a result of this upgrade, Centralia's NO_x emissions dropped nine per cent in 2001 and will continue to drop in 2002.

At our natural gas facilities, TransAlta uses a variety of methods to control NO_x emissions including steam injection, 'Low NO_x' burners and selective catalytic reduction.

Particulates

When coal is burned, two kinds of solid waste are left behind-bottom ash and fly ash. Bottom ash is so named because it falls to the bottom of the boiler where it is collected and disposed of in approved disposal areas. Fly ash, which is very light, exits the boiler along with the hot gases. Pollution control equipment, such as electrostatic precipitators or bag houses, capture 99.4 per cent of the fly ash before the flue gases are dispersed into the atmosphere. This ash is collected in large hoppers or bins. Depending on market demand, ash from TransAlta's plants is sold for use in a variety of construction products. The remainder is deposited in approved disposal areas.

Mercury

Mercury is a trace heavy metal found in coal that is known to be toxic to humans and harmful to the environment. Mercury emitted from power plants into the air is either elemental (pure mercury, like in a household thermometer), in particulate form (attached to another substance like coal ash), or in oxidized form (where elemental mercury has undergone a chemical reaction to become ionic).

There is a great deal of debate in environmental, industry and policy circles on how to effectively measure and reduce power plant emissions of mercury. TransAlta has been active in these discussions in both Canada and the U.S.

We completed extensive mercury monitoring at Centralia in 2001 and are currently analyzing the results.

TransAlta is now engaged in an intensive monitoring program at all of our coal-fired power plants. Using the industry standard 'Ontario Hydro' method, we are trying to accurately identify the quantity and type of mercury emitted from our plants in order to find ways to effectively reduce these emissions.

Alberta air emissions management

TransAlta is participating in a new multi-stakeholder process in Alberta to develop and introduce a new air emission management system for the electricity sector. This process will result in new performance expectations and standards for the sector covering SO₂, NO_x, particulate matter, volatile organic compounds and mercury emissions.

On behalf of the Alberta Minister of Environment, the Clean Air Strategic Alliance (CASA) is managing the process. CASA is a non-profit association composed of stakeholders from government, industry, and non-government organizations (such as health and environment groups). Senior representatives from each of the three sectors are committed to developing and applying a comprehensive air quality management system for the Alberta electricity sector through a consensus-based process.

The electricity project team with representatives from industry, the three levels of government in addition to environmental and other non-governmental organizations, will use CASA's consensus decision-making process to develop recommendations.

The team's final report and recommendations are expected by June 2003.

Sustainable Development & Technology Fund

In 2000, TransAlta set aside \$100 million to create the Sustainable Development and Technology Fund for investments in renewable energy and the development of new generation technology. We believe that the long-term solution to the electricity sector's contribution to air quality problems and climate change involves the development of new technologies.

In the last two years, TransAlta has made three investments in Vision Quest Windelectric Inc. totaling \$13 million. This investment has supported Vision Quest's purchase and construction of 67 Vestas V47 wind turbines for a total of 39.6 megawatts (MW) of generation capacity.

Our commitment to renewable energy goes beyond our direct investments in Vision Quest. On July 1, TransAlta became the first company in Calgary to have the electricity needs of its corporate headquarters met through wind generation. TransAlta signed a 10-year contract with Vision Quest to supply about eight million kilowatt-hours of electricity annually. Vision Quest installed four 660-kilowatt (kW) wind turbines in Alberta to meet TransAlta's head office needs, adding about 2.6 MW of electricity capacity to the Alberta Interconnected System (AIS).

We have also actively pursued opportunities in emerging generation technologies like distributed generation. Often gas-fired, distributed generation uses small scale electric generators close to the user or load being served, rather than large centralized power stations, resulting in significant environmental benefit. TransAlta has invested over \$10 million in two Canadian distributed generation companies, Simmex Group of Companies and Mercury Electric Corporation.

Land use and waste management

Mining represents TransAlta's main impact to land. TransAlta owns two open pit coalmines in Alberta and one in Washington State. The Alberta mines -Whitewood and Highvale - cover approximately 12,460 hectares of land while the Centralia mine covers approximately 5,420 hectares.

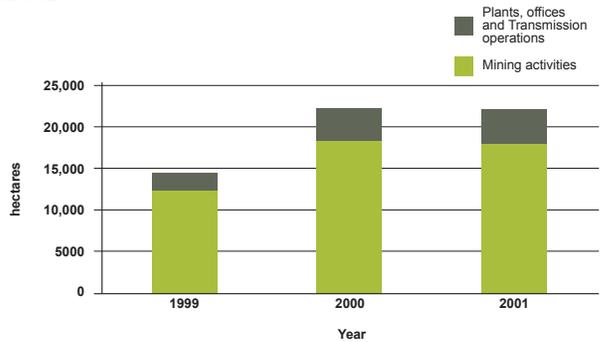
TransAlta has reclaimed mined land since 1962, 11 years before provincial guidelines were established. Standards now require mined land to be reclaimed to a level that has an equivalent capability to support its pre-mining use.

By the end of 2001, approximately 36 per cent of former mined land at our three mines had been reclaimed including 30 per cent of Highvale and about 76 per cent of Whitewood. The greater percentage of reclaimed land at Whitewood is a result of the mine's age and the ability to sequence reclamation operations immediately following mining at a single pit operation. Sixty-two hectares of reclaimed land at Whitewood was officially certified as reclaimed in 2001. Highvale and Centralia are multiple-pit operations which require larger areas for ongoing mine work.

When TransAlta acquired Centralia in 2000 only 680 hectares of formerly mined areas had been reclaimed since 1971. We have put a reclamation plan in place.

TransAlta's reclaimed lands are now supporting a wide variety of uses such as agriculture, woodlands, wildlife habitat, recreation and wetlands. In Alberta, reclaimed areas have been leased to local farmers and in some cases, the original landowners. The farms produce cereal crops like barley, oats and canola, and hay crops for livestock. Local ranchers have established several pasture areas on the reclaimed land and are successfully grazing and watering cattle. Elk, deer, coyotes, sharp tailed grouse and osprey inhabit areas reclaimed for wildlife. In Centralia, we are returning the land to timberlands and wetland habitat.

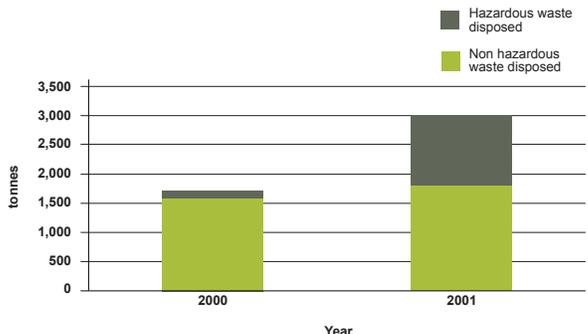
LAND USE



WASTE MANAGEMENT

In 2001, TransAlta sent 3,010 tonnes of waste off site for disposal, an increase of 1,310 tonnes from 2000. This material ranges from typical household garbage to hazardous waste like asbestos, which is sent to special facilities for disposal.

WASTE DISPOSED



Increase in hazardous waste was primarily due to the removal of contaminated soil from a site remediation project at Acheson Transmission yard.

The increase in 2001 was almost exclusively from the disposal of 1,100 tonnes of sulphur-contaminated soil from a site remediation project at our Acheson, Alberta transmission yard. Our Acheson yard was formerly a rail yard for Canadian National Railways. Sometime during its days as a rail facility, sulphur was dumped onto the ground and contaminated the soil. This contamination was discovered during a construction project onsite. The contaminated soil was removed to a registered hazardous waste treatment facility.

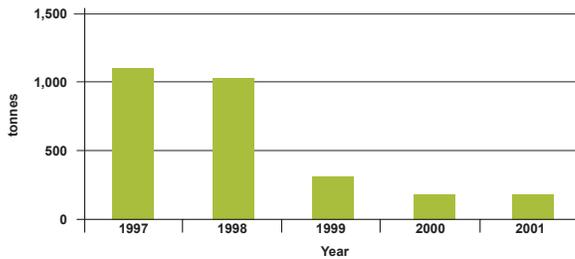
Elimination of PCB's

Polychlorinated biphenyls commonly referred to as PCBs are a class of chemicals that have been commonly used in industrial applications as coolants or lubricants. In the electricity industry, PCBs were largely used as a coolant in electrical transformers. In the 1970s, environmental concerns about PCBs led to their replacement, and eventually resulted in a North American ban in 1977 on the manufacture and importation of the chemicals.

Under strict government regulation, PCBs have remained in limited use in the electricity industry. In 1998 TransAlta began a program of identifying and eliminating PCBs from our inventory. Since then we have reduced the amount of equipment with PCB content by 75 per cent.

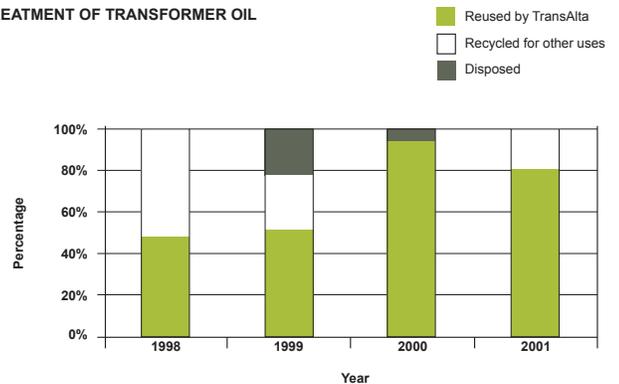
As a precautionary measure, TransAlta tracks all equipment that may have PCBs even though the chemicals are not exposed to the environment. That equipment is assumed to contain PCBs and is treated with the appropriate safe guards.

TRANSMISSION OPERATIONS EQUIPMENT IN SERVICE WITH PCB CONTENT



This includes equipment that may contain PCB at a concentration of greater than or equal to 50 ppm.

TREATMENT OF TRANSFORMER OIL



Transformer oil

TransAlta uses large volumes of oil that acts as an insulator in transformers. Improper disposal has the potential to contaminate soil and water. TransAlta no longer has an inventory of transformer oil with PCB content. Any PCB material with a concentration greater than 50 parts per million we may have is contained in bushing (electrical transmission line insulating units), which are used in our Transmission business. Some bushings may contain PCB material, but it is not possible to verify without destroying the bushings. Bushings are sealed units containing very little oil.

Water

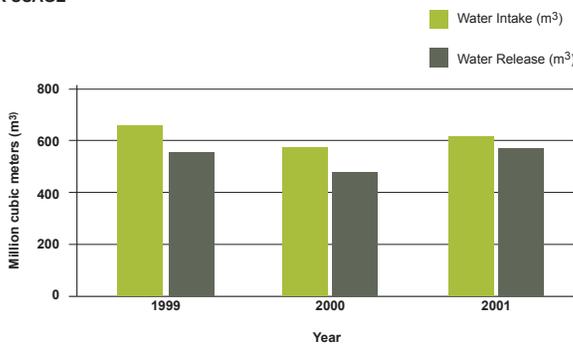
In 1999, TransAlta began tracking water uptake and discharge as key indicators of our environmental performance. In 2001, our water consumption per megawatt hour (MWh) dropped to 1.00 cubic metre per MWh, from 2.18 cubic metres per MWh in 2000. This is within normal fluctuations for our operations. TransAlta's total water consumption in 2001 was 40 million cubic metres.

It's important to note that water use in any given year is dependant on the weather. For example, during a warm summer, more water would be drawn into coal plants to compensate for evaporation from the cooling ponds.

In our coal-fired facilities, water is pumped into tubes around the boiler. That water turns into steam and the high-pressure steam passes into the turbine, causing the turbine to turn creating an electric current. Water is also used to cool and condense the steam discharged from the turbine. Cooling water is then released from the plant. At the Keephills and Sundance plants, cooling water is re-circulated through cooling ponds. Cooling water from the Wabamun plant is released into Wabamun Lake. In Centralia, cooling water is recirculated through cooling towers.

In our gas-fired generation business, water is drawn from a variety of sources including rivers, deep wells and municipal systems. TransAlta re-circulates most of the water at these plants, keeping discharge volumes low.

WATER USAGE



WASTE WATER

In our Alberta operations, we report two main sources of industrial wastewater. The first is ash lagoon effluent at the Wabamun plant where water is used to take ash to an ash lagoon and the transport water is returned to the lake. The second is Sundance and Keephills cooling pond discharge into the North Saskatchewan River.

TransAlta monitors this wastewater stream to meet stringent approval requirements for temperature, volume flow rate, suspended solids, oil and grease, iron, phosphorous and acidity.

At Centralia, wastewater is released to the Hanaford Creek under a U.S. National Pollutant Discharge Elimination System permit and all water is monitored to meet permit requirements. In the summer the wastewater is used for irrigation on the plant site.

WABAMUN LAKE WATER TREATMENT PLANT

TransAlta owns and operates a water treatment facility next to our Sundance plant called the Wabamun Lake Water Treatment Plant (WLWTP). The facility was built in 1997 to mitigate our operations' historic and ongoing effect on lake level.

Our operations affect water levels at Wabamun Lake because:

- cooling water released from the Wabamun power plant causes some evaporation;
- the Sundance plant uses water in the boiler and for household purposes like drinking water; and
- the Highvale mine diverts surface water and groundwater preventing it from entering the lake.

TransAlta's annual net impact on the lake is estimated to be nine million cubic metres of water per year (equivalent to approximately 11.4 centimetres or 4.5 inches of water level). Lake level naturally fluctuates about one metre (three feet) and will continue to fluctuate from natural influences like precipitation, runoff and evaporation.

As part of our recently renewed environmental operating permit for the Wabamun power plant, we are required to build an expansion to the WLWTP. The WLWTP is designed to pump 15 million cubic metres of treated water per year. We have applied to build an addition to the WLWTP that will more than double its surplus capacity, pumping an additional eight million cubic metres of treated water per year into Wabamun Lake. This addition will enable TransAlta to replenish our historic debt of 51 million cubic metres to the lake by Dec. 31, 2006.

The plant treats water from the Sundance cooling pond and transfers it to Wabamun Lake. Water taken from the cooling pond is replaced by water from the North Saskatchewan River.

The plant is unlike any other municipal or industrial water treatment facility in Alberta. Treated water released into Wabamun Lake is designed to meet stringent guidelines set by Alberta Environment to protect the ecology of Wabamun Lake from the introduction of North Saskatchewan River water to the lake.

HYDROELECTRIC OPERATIONS

TransAlta has a long and proud history of hydroelectric power generation. We currently own and operate 13 hydro facilities on the Bow River and North Saskatchewan River systems of Alberta. The oldest of those facilities is the Horseshoe Plant, TransAlta's first power plant, built in 1911 near Seebe, Alberta.

TransAlta's hydro facilities are licensed under the Canada Dominion Water Power Act and the Alberta Water Act and under the regulation of numerous other federal and provincial Acts. 2001 was a year of flux for many regulatory agencies as a result of electricity industry restructuring in Alberta and the related changes in roles and accountabilities. TransAlta is firmly committed to achieving regulatory compliance and considerable effort was spent in 2001 to maintain and strengthen regulatory relationships during these changing conditions.

In 2001, Alberta suffered the most severe drought conditions experienced in decades. As a result, hydro production for the year was at one of its lowest ever levels. Drought conditions put significant stress on the provincial water management system to meet the needs of industry, irrigation, municipalities and the aquatic environment. TransAlta worked closely with Alberta Environment and other private water users to ensure that water rights priorities were met and that the water management system worked as efficiently as possible through the dry summer months.

In addition to working with regulators on water management and compliance issues, TransAlta has been upgrading our environmental management systems in an effort to improve our performance. By the end of 2000, all 13 of our hydroelectric facilities had environmental management systems upgraded to meet the ISO 14001 standard. ISO 14001 is an international standard for environmental management systems that helps ensure corporate compliance with environmental regulations, improves pollution prevention and drives continual improvement in environmental performance.

TransAlta continues to work with stakeholder groups to reduce or mitigate our environmental impact. We regularly meet with groups including the Bow River Basin Water Council and the North Saskatchewan Watershed Alliance.

In 2001, TransAlta established a partnership with the Alberta Conservation Association (ACA) for funding of fishery projects. Work during the initial year focused on fishery inventories to collect information used by provincial biologists to develop fishery management plans.

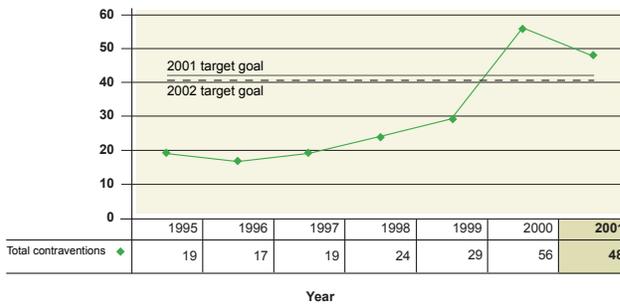
Regulatory compliance

TransAlta operations are subject to thousands of federal, provincial, state and municipal environmental rules and regulations governing our operations. These rules are enforced by TransAlta and different levels of government through regular audits, monitoring, and inspections.

Complete compliance with regulatory requirements is an ongoing challenge. From time to time incidents occur resulting in regulatory contraventions or out-of-compliance incidents. In recent years, the growth in the number of facilities we own has led to increased incidents that have outpaced incident reduction efforts.

In 2001, TransAlta reduced the total number of environmental contraventions by 14 per cent, but fell short of our 25 per cent reduction target. There were reductions this year in all categories of contravention with the exception of spills to water.

TOTAL ENVIRONMENTAL CONTRAVENTIONS



TransAlta also received five enforcement actions in 2001. We received either a financial penalty or directive from the applicable regulator in each of these incidents.

We take these incidents seriously and are adopting measures to improve regulatory compliance. No matter the cause, TransAlta intends to reduce both the number and impact of our regulatory contraventions.

More energy. More opportunity.

TransAlta is in a unique position not only as an economic engine, creating jobs and wealth in our local economy, but also as an energy producer, generating the electricity millions of people in our hyper-connected, electrified economy rely on. Sustainable development at TransAlta is not only about reducing environmental impact or greater community involvement, it is also about long-term sustainable economic performance; it's about meeting TransAlta's obligation to power our industry and light our homes, schools, hospitals and businesses.

2001 highlights

- Produced over 39,867 gigawatt hours (GWh) of electricity
- Paid \$238 million in wages and incentive pay
- Paid \$41 million in income tax to local, state, provincial and federal taxes
- Earnings from continuing operations were up 27 per cent in 2001 - the third consecutive year of such an increase. Our cash flow was a company record of \$715 million
- Announced the sale of our Alberta Transmission assets to Altalink for approximately \$850 million
- Listed of common shares on the New York Stock Exchange
- Announced plans to add 900 megawatts to our Keephills coal-fired power plant by 2005
- Formed a strategic alliance with MidAmerican Energy Holdings Company to develop, build and operate power plants in North America
- Continued construction on our 650 megawatt (MW) power project in Sarnia, Ontario, Canada's largest cogeneration plant and the 252 MW Campeche power project in Mexico
- Won a second bid to build a gas-fired power plant in Chihuahua Mexico
- Purchased a 55 MW peaking power plant in Binghamton, New York
- Began construction of a 248 MW gas-fired addition to our Centralia site, to be completed by July 2002
- Invested \$9.4 million in companies involved in wind power and distributed generation
- Sold the Mildred Lake and Fort Nelson gas-fired plants and the Edmonton Composter

Operating performance

Note: The data presented in Operating Performance is directly excerpted from the 2001 TransAlta Corporation Annual Report. Inclusion scope varies 10 per cent from the scope used for environment, health and safety (EH&S) performance. EH&S scope does not include production from Sheerness, Fort Nelson or Poplar Creek facilities or facilities that are under construction. Contributing to Prosperity section follows the Sustainable Development Report Inclusion Rules.

FINANCIAL HIGHLIGHTS (in millions of Cdn\$ except common share data)	2001	2000	1999
Revenues	\$4,927.1	\$2,802.5	\$1,123.0
Earnings from continuing operations ¹	\$169.5	\$133.6	\$48.7
Net earnings ¹	\$214.6	\$279.8	\$170.1
Cash flow from operating activities	\$715.6	\$198.7	\$426.2
Return on common shareholders' equity	10.9%	11.7%	9.2%
Per common share data:			
– Earnings from continuing operations	\$1.00	\$0.79	\$0.29
– Net earnings	\$1.27	\$1.66	\$1.00
– Dividends	\$1.00	\$1.00	\$1.00

¹ Applicable to common shareholders.

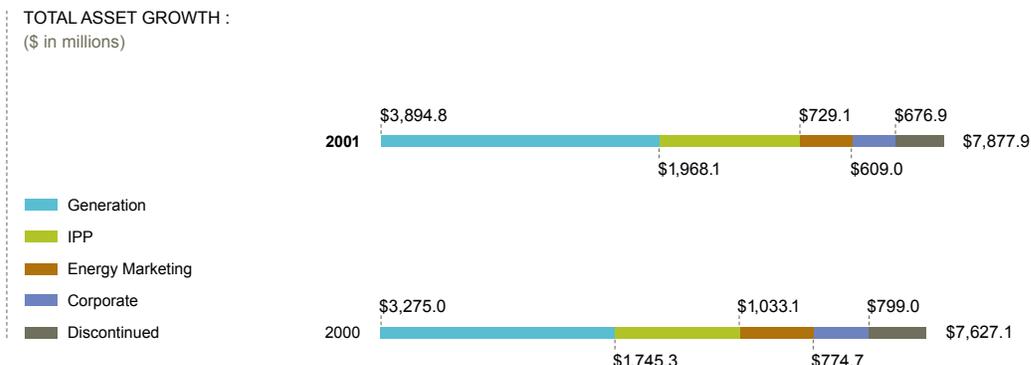
In 2001, TransAlta faced a sudden and dramatic economic downturn, the bankruptcy of Enron, huge price volatility and reduced availability at our coal-fired facilities. Still, in the face of this unprecedented change, our earnings from continuing operations were up 27 per cent in 2001 - the third consecutive year of such an increase. Our cash flow was a company record of \$715 million.

Our goals are to grow megawatts (MW) in our core operations and to steadily increase our earnings per share. In 1999, our capacity was 6,203 MW; today it's 7,402 MW. Our earnings from continuing operations were \$0.29 per share; today they are \$1.00 per share. We focus this growth in distinct regions of Canada, the U.S. and Mexico. We have put our Australian expansion plans on hold until we see better market opportunities.

REVENUE GROWTH :
(\$ in millions)



TransAlta added 259 MW to our generating capacity in 2001 and we have 1,409 megawatts currently under construction. The current capacity we have in development and under construction brings us to 9,711 MW - very close to our 10,000 MW goal for 2002.



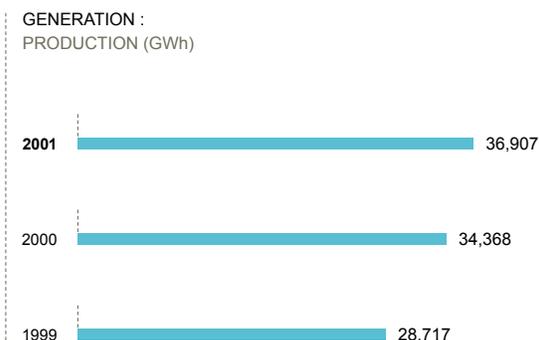
In January 2002 we consolidated all of our generation facilities into a single entity with a single leader responsible for results. We have set tough operational targets for our Generation business. We are working to bring down our already low production cost per megawatt-hour and increase the availability of our plants to an average target of 90 per cent.

POWER PRODUCTION & AVAILABILITY

For the year ended Dec. 31, 2001, total electricity production was 44,136 gigawatt hours (GWh) compared to 40,644 GWh in 2000 and 33,677 GWh in 1999. Incremental production in 2001 compared to 2000 came from the Centralia plant (2,785 GWh) acquired in May 2000 and the Poplar Creek plant (2,491 GWh) which began commercial operations in January 2001, offset by lower hydro production (240 GWh) and lost production from the sale of the 256 MW Mildred Lake and the 45 MW Fort Nelson plants in May 2000 and a full year of production from the Fort Nelson, Fort Saskatchewan and Meridian plants, which began commercial operations in 1999.

Coal and Hydro generation

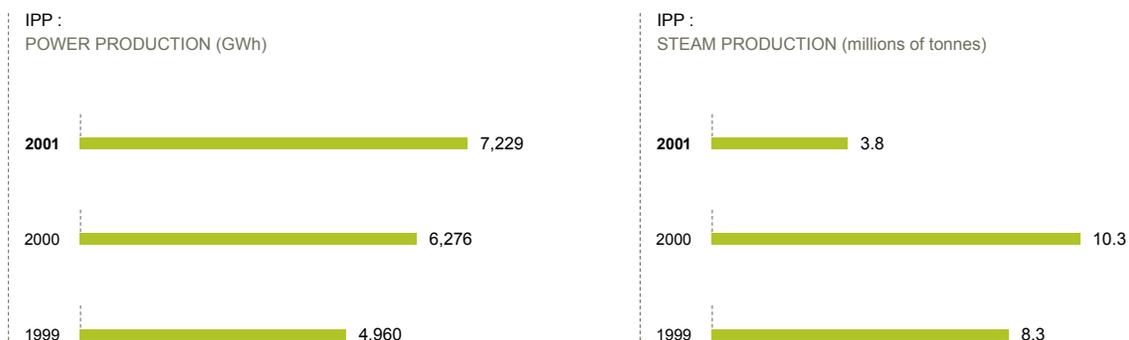
Production from coal and hydro generation was 36,907 GWh in 2001, 34,368 GWh in 2000 and 28,717 in 1999. The increase from 2000 to 2001 was primarily a result of a full year of production from the Centralia plant offset by decreased hydro production.



In 2001 the average availability rate was 84.7 per cent, compared to 85.9 per cent in 2000 and 87.4 per cent in 1999. Results in 2001 were negatively impacted by unplanned outages at the Centralia plant and Wabamun unit four outage. The 2000 results were also negatively impacted by the Wabamun unit four outage.

Gas generation

Gas-fired electricity production was 7,229 GWh compared to 6,276 GWh in 2000 and 4,960 GWh in 1999. In 2001, increased production of 2,491 GWh from the Poplar Creek plant was offset by lost production of 1,713 GWh from the sale of the Mildred Lake and Fort Nelson plants. The Pierce Power plant, which began commercial operation in August 2001 contributed 22 GWh of incremental production in 2001.



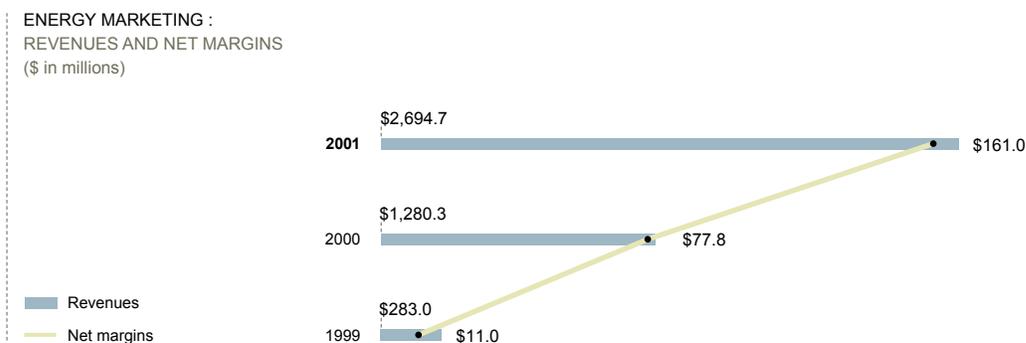
Steam production for 2001 was 3.8 million tonnes compared to 10.3 million tonnes in 2000 and 8.3 million tonnes in 1999. The 2001 decrease is due largely to the sale of the Mildred Lake plant.

Gas-fired power availability was 96.3 per cent in 2001, 96.1 per cent in 2000 and 97.8 per cent in 1999.

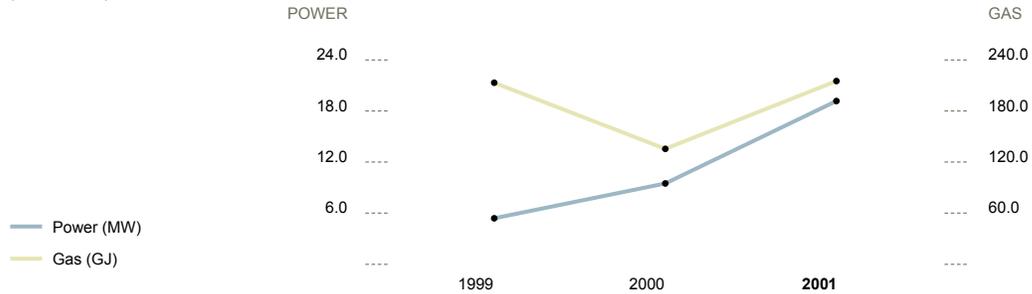
ENERGY MARKETING

Energy marketing derives revenue and earnings through the wholesale trading of electricity and other energy-related commodities and derivatives. These activities provide TransAlta with critical market knowledge to help identify growth opportunities and support corporate investment decisions

Energy Marketing's net margin was \$161.0 million in 2001 compared to \$77.6 million in 2000 and \$11.0 million in 1999 as a result of increased trading volumes and margins. Gross revenue in 2001 was \$2,694.7 million with earnings before interest and taxes of \$107 million. Volumes of power traded increased to 19,200 GWh in 2001 from 9,500 GWh in 2000 and 5,400 GWh in 1999. Volumes of gas traded were 215.5 million gigajoules (GJ) in 2001 compared to 135.7 GJ in 2000 and 213.5 GJ in 1999.



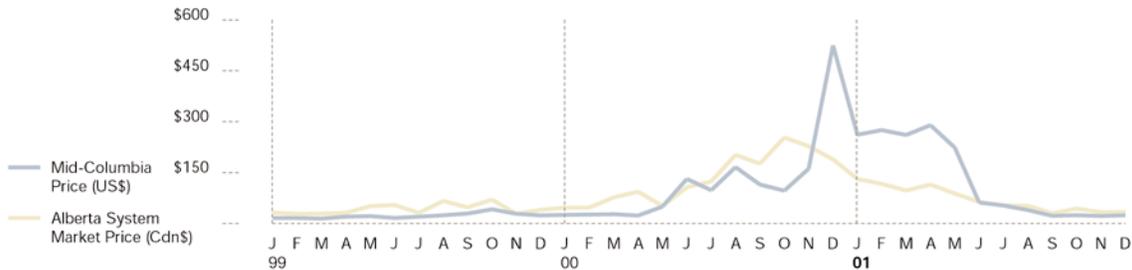
**ENERGY MARKETING :
TRADING VOLUMES**
(\$ in millions)



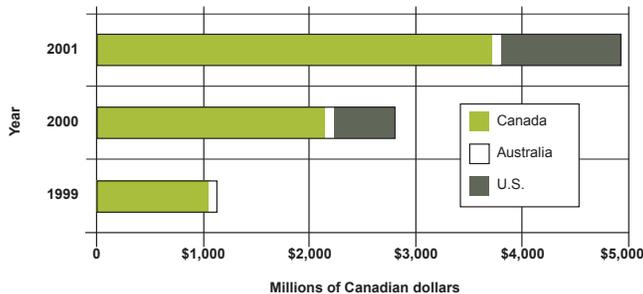
FINANCIAL PERFORMANCE

TransAlta's revenues increased 76 per cent in 2001 to \$4,927.1 million compared to \$2,802.5 million in 2000 and increased by 150 per cent to \$2,802.5 million in 2000 compared to \$1,123.0 million in 1999. The increase in 2001 over 2000 was primarily the result of high prices in the first half of 2001, incremental production from the May 2000 acquisition of Centralia, higher revenue from the Alberta plants, increased trading revenues in Energy Marketing and incremental revenues from the Poplar Creek and Pierce Power plants offset by the sale of Mildred Lake and Fort Nelson plants.

AVERAGE MONTHLY ELECTRICITY PRICES :
(\$ per MWh)



REVENUE BY GEOGRAPHIC REGION

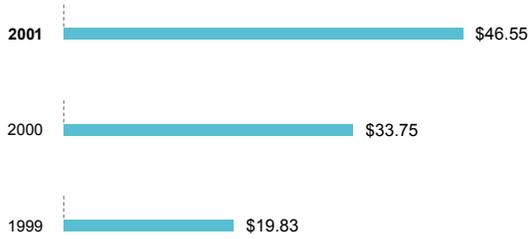


Revenues are attributed to countries based on the location of the customer. Mexican plants have not yet begun commercial operations and therefore no revenues are being generated.

Coal and hydro generation

Total net revenue from coal and hydro generation increased by \$558.0 million in 2001 to \$1,717.9 million compared to \$1,159.9 million in 2000. The increase is primarily a result of increased revenues from the Power Purchase Agreements (PPAs) at our Alberta facilities, which began Jan. 1, 2001, incentives for exceeding availability targets set out for those PPAs, a full year production from the Centralia plant, additional revenue from hydro ancillary services, and increased sales from power purchases in excess of those required to meet contracted obligations.

GENERATION :
REVENUE PER MWh



Earnings before interest and taxes for coal and hydroelectric power was \$206.1 million in 2001 compared to \$326.7 million in 2000, a decrease of \$120.6 million or 37 per cent.

Gas-fired generation

Revenues for gas-fired generation increased by \$152.2 million in 2001 to \$514.5 million compared to \$362.3 million in 2000. The increase was primarily a result of the start of commercial operations of the 360-megawatt (MW) Poplar Creek plant in January 2001 and incremental revenue from the 154 MW Pierce Power plant. The sale of the 265 MW Mildred Lake and 45 MW Fort Nelson plants partially offset these increases. Earnings before interest and taxes increased by \$25.7 million to \$65.6 million in 2001.

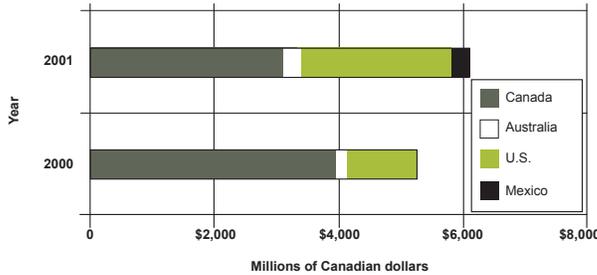
IPP :
REVENUE PER MWh



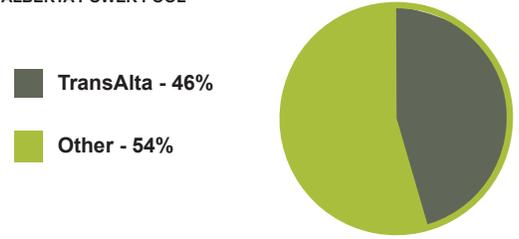
Contributing to prosperity

TransAlta contributes to the economic health and prosperity of our host communities by producing reliable and affordable electrical energy, creating jobs and paying local, provincial, state and federal taxes.

CAPITAL ASSETS BY GEOGRAPHIC REGION

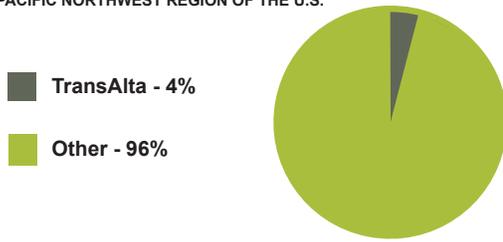


TRANSALTA'S CONTRIBUTION TO ELECTRICITY GENERATION IN THE ALBERTA POWER POOL



In 2001, TransAlta produced over 39,867 gigawatt hours (GWh) of electricity. This is enough power for over six million average North American homes. In Alberta, TransAlta alone is responsible for more than 46 per cent of the province's net generation capacity. Our three Alberta coal-fired power plants have the highest availability rating in the province and produce the lowest cost electricity.

TRANSALTA'S CONTRIBUTION TO ELECTRICITY GENERATION IN THE PACIFIC NORTHWEST REGION OF THE U.S.

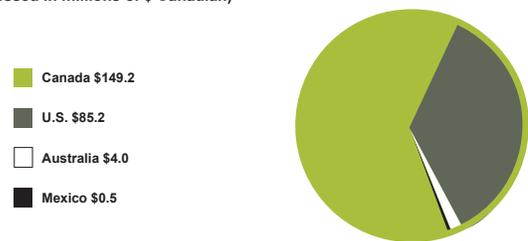


EMPLOYEES BY GEOGRAPHIC REGION



TransAlta has 2,550 full-time equivalent positions held by men and women in four countries. These full-time equivalent positions include full-time, part-time and hourly employees. Those employees earned over \$238 million in wages and incentive pay in 2001 that were in turn spent in the local economy purchasing goods and services, creating indirect economic benefits. Our employees have also earned over \$403 million in employee future benefits and were granted 400,000 performance stock option shares in TransAlta.

EMPLOYEE COMPENSATION IN 2001 (expressed in millions of \$ Canadian)



INCOME TAX PAID BY GEOGRAPHIC REGION (in millions of Canadian dollars)



In 2001 TransAlta paid \$41 million in income tax to different levels of government. These tax dollars are used by government to provide essential services ranging from roads and sewers, to law enforcement and social assistance.

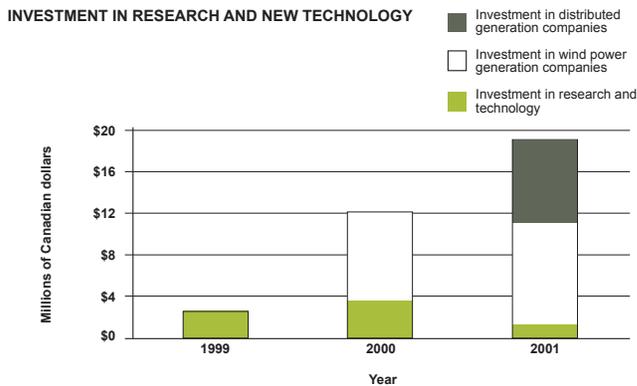
In addition to income tax, TransAlta paid over \$32.6 million in municipal taxes. Our taxes paid to Parkland County - the location of our Alberta thermal plants and mines - totaled more than 60 per cent of the county's budgeted revenue for the year.

Technology investment

In 2000, TransAlta set aside \$100 million to create the Sustainable Development and Technology Fund for investments in renewable energy and the development of new generation technology. Since then, TransAlta has invested in wind power and distributed generation.

In the last two years, TransAlta has made three investments in Vision Quest Windelectric Inc totaling \$13 million, the most recent in early 2002. This investment has supported Vision Quest's purchase and construction of 67 wind turbines in Alberta.

In 2001, TransAlta has invested over \$10 million in two Canadian distributed generation companies, Simmex Group of Companies and Mercury Electric Corporation. Distributed generation uses small scale electric generators close to the user or load being served, rather than large centralized power stations, resulting in significant environmental benefit.



TransAlta also has a small research group that works with industry and public sector partners to conduct research focused on reducing atmospheric concentrations of greenhouse gas and the development of new generation technology. In 2001, TransAlta invested \$1.15 million in research, less than the \$3.5 million reported in 2000. This change is the result of a change in reporting. For 2001, we are not reporting operational research like mercury stack testing or plant efficiency research. Research efforts in 2001 included investigation of CO₂ sequestration, clean coal technologies and fuel cells.

More involvement. Stronger communities.

People are at the heart of our business - our employees, shareholders, neighbours and the millions of people who are depending on us for reliable and affordable electricity. TransAlta understands we have a contract with these people - a social contract to be a responsible corporate citizen. We endeavor to be the best company we can by operating in a manner that is responsive, responsible and respectful of our connection to the community.

2001 highlights

- Reduced our corporate recordable injury frequency rate by 20 per cent
- Developed an integrated management system that brings together our ISO 14001 environmental management system and our health and safety programs
- Hydro employees marked fourth year without a lost-time or medical aid incident
- Poplar Creek facility employees achieved six years without a lost-time incident
- Australia employees celebrated five years without a lost-time incident
- Improved disability case management reducing costs for short and long-term disability costs by \$541,000
- Invested \$4.99 million in the community through sponsorships and donations
- Signed a ten-year rail and road agreement with the Paul First Nation
- Conducted extensive public consultation about the proposed expansion of Keephills power plant
- Signed a memorandum of understanding with the Committee on Keephills Environment addressing the committee's concerns with the proposed Centennial project
- Awarded 39 post-secondary scholarships to children of TransAlta employees and retirees
- Won the national Business in the Arts - Arts/Entrepreneur Partnership award for support of Fringe Theatre Adventures
- Won the Centralia Chamber of Commerce "2000 Business of the Year" award for our commitment to the community

Corporate code of conduct

TransAlta's Code of Conduct is our core commitment to the highest standards of professional integrity and ethical business conduct. It addresses respect, conflicts of interest, competition, insider trading, ethics, compliance with laws, asset protection, health and safety management, environment and sustainable development, as well as social responsibility.

All employees are required to understand and adhere to the code and are asked to acknowledge their commitment to the letter and spirit of the Code of Conduct and its associated corporate policies. All leaders are required to sign the Code of Conduct annually and are required to enforce compliance with the code. Breach of the Code of Conduct may result in discipline or constitute cause for termination.

TRANSALTA'S CORPORATE CODE OF CONDUCT

TransAlta Corporation is committed to increasing its value to employees, shareholders, the communities in which it does business and other key stakeholders through strategic investments in Canada and internationally. TransAlta employees fulfill this commitment while upholding the highest level of ethical conduct and meeting responsibilities as good corporate citizens. All employees are responsible for complying with the Code of Conduct and its associated corporate policies as follows:

RESPECT IN THE WORKPLACE: TransAlta recognizes a shared responsibility on behalf of all employees to exercise the basic principles of respect and dignity in all working relationships. TransAlta enforces a policy of zero tolerance for demeaning, offensive, harassing or discriminatory behavior. We practice the principle of equal employment opportunity without regard to race, religion, national origin, gender, age, physical disability or political affiliation. All employees are responsible for ensuring there is a safe and secure working environment.

CONFLICTS OF INTEREST: TransAlta employees, officers and members of the board of directors are committed to conducting their business affairs in TransAlta's best interests by dealing with customers, suppliers, contractors, competitors, existing and potential business partners and other TransAlta employees in a manner that avoids real, perceived or potential conflicts of interest.

COMPETITION: TransAlta competes dynamically in an ethical and legitimate manner, complying with the competition and anti-trust laws of the jurisdictions in which it does business. TransAlta and its employees do not collude or collaborate with competitors to divide markets, restrict production or fix prices. We do not engage in unethical business strategies to obtain a market monopoly. TransAlta employees do not slander competitors or their products, improperly seek competitor information or attempt to influence suppliers illegally.

INSIDER TRADING: TransAlta complies with all applicable securities laws and regulations to ensure that material, non-public information ("inside information"), is disclosed using proper authority and in accordance with the law. Only those employees who have a need to know receive inside information before it is released to the public. TransAlta insiders do not use inside information for personal profit and do not take advantage of inside information by trading, or providing inside information to others to trade in TransAlta securities.

ETHICAL BUSINESS CONDUCT: TransAlta and its employees act honestly and with integrity in all business relationships with competitors, potential business partners, suppliers, customers and government officials. We exercise good business judgment in extending business courtesies and never accept or offer bribes, favours or "kickbacks" for the purpose of securing business transactions. We ensure that all payments are necessary, lawful and properly documented. International transactions are conducted in accordance with the Corruption of Foreign Officials policy.

COMPLIANCE WITH LAWS: TransAlta complies with all the applicable laws, rules and regulations of the various jurisdictions in which it does business.

PROTECTING TRANSALTA'S ASSETS: TransAlta employees have a collective responsibility to protect the corporation's assets from fraud and theft and ensure records are accurate, timely and complete. Transactions with third parties are to be recorded in writing. Information is a key asset of the company so employees are required to safeguard TransAlta's proprietary and confidential information as well as proprietary information that has been entrusted to TransAlta by others.

HEALTH AND SAFETY: TransAlta is committed to providing a safe and healthy working environment and protecting the public interest with standards and programs that meet or exceed industry standards and applicable government codes, standards and regulations in all jurisdictions in which it does business.

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT: TransAlta is committed to meeting or surpassing all environmental legislation, regulations, permits and licenses and to continuously improving our environmental performance consistent with defined goals.

SOCIAL RESPONSIBILITY: TransAlta believes being a good corporate citizen is an important measure of our success as a company. We give back to the communities in which we do business by focusing on activities that make a meaningful difference. In recognition of our increasing international presence, we respect the cultures and customs of the places where we operate without compromising consistent ethical standards.

Living the Commitments

The Code of Conduct and its associated corporate policies apply to all employees of TransAlta and its controlled affiliates. Employees are obligated to have a basic understanding of all the policies and a more detailed understanding of the policies that directly affect their work. When in doubt about the interpretation or application of a particular policy, employees should seek assistance from their manager, the Corporate Secretary, a member of Legal Services or Internal Audit.

TransAlta's leaders have the additional obligation to lead by example, using their own behaviour as a model for all employees, and to enforce the policies that enact the Code of Conduct by providing education, legal counseling and a business environment that promotes policy compliance. Leaders are responsible for identifying which policies have application to their staff and recognizing ethical conduct. Leaders are also responsible for gathering feedback and continuously improving policy implementation and compliance.

Employees are required to comply with the Code of Conduct and the underlying policies and procedures. An employee's breach of the Code of Conduct may result in discipline or constitute cause for termination. Anyone who has a concern about what constitutes ethical conduct or whether a certain course of action violates the Code of Conduct is expected to raise the concern immediately with their manager, the Corporate Secretary, Internal Audit or a member of Legal Services. Any actual, possible or suspected violation must be reported immediately. Employees are strictly prohibited from taking retribution against another employee for reporting a violation.

Every year, TransAlta employees will be asked to acknowledge their commitment to the letter and spirit of the Code of Conduct and its associated corporate policies. Newly recruited employees must sign the acknowledgment when they start work at TransAlta. Any independent third party, such as consultants, agents or independent contractors, retained to do work or represent TransAlta's interests may also be asked to acknowledge the Code of Conduct principles and corporate policies applicable to their work.

Public disclosure

In our industry, information is very powerful and can influence the supply, demand and price of energy. TransAlta must walk a careful line on public disclosure balancing the need for competitive confidentiality with a desire to be as forthcoming as possible and meet the exacting rules of the New York and Toronto Stock Exchanges.

As TransAlta has become more interested in merchant business, we have had to address this issue very seriously. In early 2001, we established a Disclosure of Information corporate policy, which address the requirements under Canadian securities law for disclosing Material Information, maintaining the confidentiality of Material Information and restricting employee trading prior to public disclosure of Material Information. Material Information is any information relating to TransAlta's business and affairs that results, or would reasonably be expected to result in a significant change in the market price or value of any of TransAlta's, its affiliates or subsidiaries' listed securities.

TransAlta will disclose Material Information on the basis of anything impacting our earnings per share by greater than five per cent. The Chief Financial Officer (CFO) is the only authorized individual to approve the release of Material Information. TransAlta does not disclose competitive information on our merchant plants and energy trading.

Our people

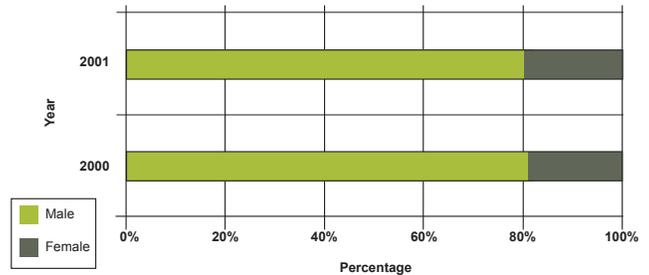
At TransAlta, our people are the key to our success. Our reward philosophy recognizes superior performance with superior pay and provides employees with a wide range of customizable benefits and compensation packages to best suit their personal needs. Our flexible work arrangements, pension variability and time-off options are designed to help employees achieve a personal work-life balance.

TransAlta is an equal-opportunity employer. We employ people without regard to race, religion, colour, national origin, ancestry, gender, age, physical or mental disability, marital or family status or political affiliation.

EMPLOYEES BY GEOGRAPHIC REGION

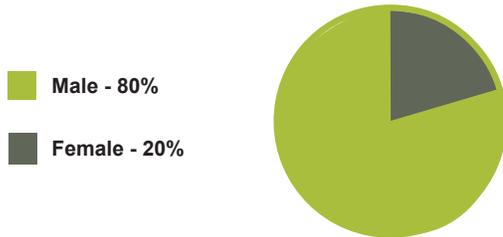


GENDER DIVERSITY OF TRANSALTA'S WORKFORCE

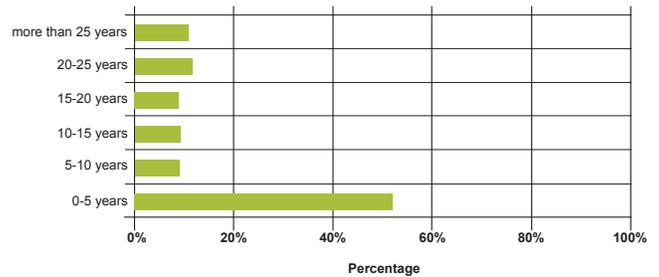


In 2001, TransAlta had 2,550 full-time equivalent positions including 1,700 in Canada, 783 in the U.S., 52 in Australia and 15 in Mexico. Approximately 20 per cent of TransAlta's workforce is female including 20 per cent of senior management. More than half of TransAlta's workforce has been with the company for less than five years. Our relatively new workforce can be attributed to recent acquisitions like Poplar Creek, bringing hundreds of new employees to the company.

GENDER DIVERSITY OF SENIOR MANAGEMENT



YEARS OF SERVICE BY TRANSALTA EMPLOYEES



TransAlta actively seeks to enhance workplace diversity with initiatives to improve employment opportunities for certain groups or by supporting community organizations dedicated to workplace diversity. For example, in 2000, we introduced an Aboriginal Employment program to encourage hiring from Canada's Aboriginal peoples. A database provides managers with a list of available workers, contacts in Aboriginal communities, and an inventory of Aboriginal businesses including what services and products they offer.

TransAlta is also the lead corporate sponsor of the Champions Career Centre, an agency helping people with disabilities secure decent employment. In addition to sponsorship, TransAlta helped Champions increase awareness of workplace diversity issues in the business community in Calgary by co-hosting events showcasing the skills of people with disabilities in Alberta.

A SAFE, HARASSMENT FREE WORKPLACE

TransAlta has a zero tolerance policy for any form of harassment, including sexual harassment, racism, sexism or intimidation. We will not tolerate or allow violence in the workplace and we will take all reasonable precautions to protect the health and safety of our employees.

Union employees have a set process to file complaints and grievances. Non-union employees are encouraged to contact their supervisor if they have any issues or concerns. If those employees cannot go to their supervisor, they are expected to contact a human resources representative.

There were twenty formal grievances filed in 2001 involving issues relating to hours of work, overtime, job sharing, contracting out, staffing levels, harassment and terminations.

UNIONIZATION

TransAlta supports our employees' right to organize themselves into unions. Fifty-nine per cent of our employees belong to unions including:

Union Name	Jurisdictional area of agreement
Canadian Autoworkers Union	Mississauga and Windsor
Communications, Energy and Paperworkers Union	Fort McMurray and Sarnia
International Brotherhood of Electrical Workers	Alberta and Centralia
International Union of Operating Engineers	Centralia Mine
Power Workers Union	Ottawa
United Utility Workers Association	Alberta
SUTERM	Mexico

Four collective agreements were settled in Canada and the United States. Two others remain in negotiation. We will begin negotiating a collective agreement in Mexico in the second quarter of 2002 with SUTERM covering employees at our new Campeche and Chihuahua facilities.

Early in 2002, an agreement was also reached between TransAlta and the United Utility Workers Association (UUWA) settling a 'Common Employer' dispute. The UUWA made a 'Common Employer' application in January 1999 to the Alberta Labor Board claiming TransAlta Utilities Corporation (TAU) and TransAlta Energy Corporation (TEC) were one employer and the UUWA's bargaining certificate included 398 employees hired within TEC. With the agreement, most of those 398 TEC employees remained outside of the UUWA collective agreement.

THE LEADERSHIP DEVELOPMENT PROGRAM

TransAlta's Leadership Development Program (LDP) is designed to recruit and train talented young professionals for eventual leadership positions in the company. The program first targeted engineering graduates and has subsequently opened to other disciplines.

LDP employees go through a 14 to 16 month apprenticeship, rotating to four different areas in TransAlta. Each rotation, four months long, provides enough time to develop a solid knowledge base in each area. The rotations build skills, business understanding, and personal networks designed to develop the future leaders TransAlta needs at all levels.

In 2001 there were 24 LDP employees. In the last five years, 42 LDP employees have graduated from the program.

COMPENSATION

TransAlta's reward philosophy recognizes superior performance with competitive pay and provides employees with a wide range of flexible benefits and compensation packages to best reflect their personal needs. Our flexible work arrangements, pension variability and time-off options are designed to help employees achieve a personal work-life balance.

Flexible benefits

In Canada, TransAlta offers a flexible benefits program where employees can choose the best combination of options to suit their personal needs. These options include: seven independent benefit packages with at least three options each (more than 25 options in total), prescription medication plan with a drug card, and a variety of health spending account options.

TransAlta is developing a common U.S. benefits package that will be in place by Dec. 31, 2002. Benefits packages are also in development for Mexico.

Time off/vacation

Work to live or live to work? TransAlta recognizes employees have a life outside work and we provide generous time-off options for our employees to pursue other aspects of their lives. These opportunities include:

Non-Union Time Off

- Paid sabbatical once every four years
- Alternative work arrangements such as job-sharing, part-time and flexible work hours
- Four weeks vacation for all full-time employees, plus five days off for personal needs

Union Time Off:

Depending on collective agreement:

- Two to six weeks of vacation
- A variety of flexible and unique work arrangements

SHARE PURCHASE PLAN AND STOCK OPTIONS

All permanent employees have the opportunity to purchase common shares from the open market through the Employee Share Purchase Plan. This plan offers employees an interest-free loan for up to 30 per cent of their base salary.

In each of the last three years the company has awarded stock options to all employees we were legally able to. Participation in purchasing stock options allows employees to share in the company's success and gives them a vested interest in the company.

In 2001, each full-time employee was granted 500 options and each part-time employee was awarded 250 options. U.S. employees became eligible for options in 2001. For securities reasons, TransAlta's Australia employees receive 'virtual options' tied to the value of real stock options.

Pension

TransAlta contributes an amount equal to ten per cent of employees' base salary to their personal defined contribution pension account. Vesting occurs after two years of continuous employment.

Incentive pay

TransAlta's non-union employees are eligible for an annual incentive bonus payment based on the achievement of corporate and department goals. Last year was the last time union employees received corporate incentive pay; however, certain bargaining units have localized incentive programs depending on the market.

Base pay

TransAlta pays employees a competitive market-driven base salary. Non-union employees are paid within broad pay bands allowing for differences in pay based on performance.

Scholarship program

TransAlta awarded 39 post-secondary scholarships in 2001 to children of TransAlta employees and retirees. These scholarships are awarded on the basis of academic performance and may be used for post-secondary education in a community college, university or technical school. Scholarships were valued at \$2,000 for university level and \$1,500 for college or technical school level.

Health & safety

TransAlta is committed to providing a safe and healthy work environment for our employees - every employee coming to work at TransAlta, should go home safe at the end of the day. We will strive to create a healthy and supportive environment, and to eliminate all work-related illnesses and incidents.

In 2001, TransAlta achieved a number of health and safety milestones:

- TransAlta's recordable injury frequency rate dropped by 20 per cent
- Hydro employees achieved four years without a lost-time incident or medical aid
- Poplar Creek employees in Fort McMurray, Alberta continue to work without a lost-time incident in the last six years
- TransAlta receives Canadian Electricity Association's President's Award of Excellence for 2000 safety performance
- Australia employees achieve five-year safety milestone operating without any lost-time incidents since 1996
- Employees at the Parkeston plant in Western Australia were recognized for having no lost-time incidents since it began operations on Oct. 2, 1996
- TransAlta employees received an average 10 hours of safety training each
- Improved disability case management reduced costs for short and long-term disability by \$541,000

HEALTH & SAFETY POLICY

TransAlta's health and safety policy is approved by the Board of Directors and is applied across the company.

TransAlta will:

- Ensure a safe and healthy working environment with standards and programs that meet or exceed industry standards and applicable government codes, standards and regulations
- Ensure all employees conduct their work based on the principles of:
 - knowledge of the hazards to which they are exposed,
 - participation in designing and implementing hazard control measures,
 - right to refuse unsafe work, and
 - obligation to conduct work safely.
- Ensure health and safety impacts and risks of company activities are identified, assessed and managed
- Ensure employees and contractors working on our behalf are appropriately trained to protect themselves from injury or occupational illness
- Hold all levels of management accountable for providing and maintaining a healthy and safe work environment
- Hold each employee, and each contractor working on our behalf, accountable to work in a manner that safeguards the public, themselves and their co-workers
- Enforce the standard that working safely is a condition of employment
- Use a performance assurance process to assess compliance with this commitment and our environment, health and safety management system. Performance assurance results reported periodically to the board of directors
- Achieve ongoing improvements to health and safety performance through enhancements to health and safety management processes

HEALTH & SAFETY MANAGEMENT

The Chief Executive Officer and the Board of Directors have ultimate responsibility for TransAlta's environment, health and safety (EH&S) performance. The audit and environment committee is one of the Board's three permanent committees. It reviews the principle risks to the corporation and systems for managing these risks, and receives regular performance reports from the Sustainable Development department. The committee consists of seven members of the board independent of management. They met 11 times in 2001.

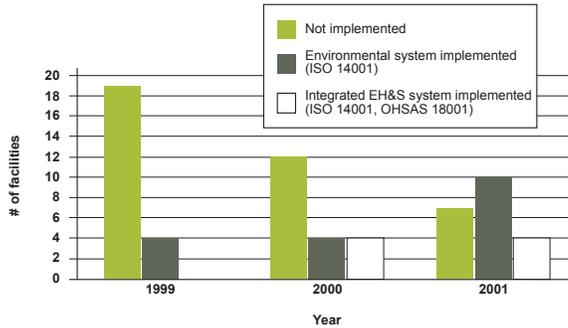
TransAlta's Sustainable Development department is responsible for establishing and maintaining corporate environment, health and safety standards, and has a corporate governance role in assessing and reporting on adherence to these standards.

TransAlta is in the process of integrating our health and safety management programs into our ISO 14001 environmental management system, using the OHSAS 18001 health and safety management standard. This new system is an integrated EH&S management system.

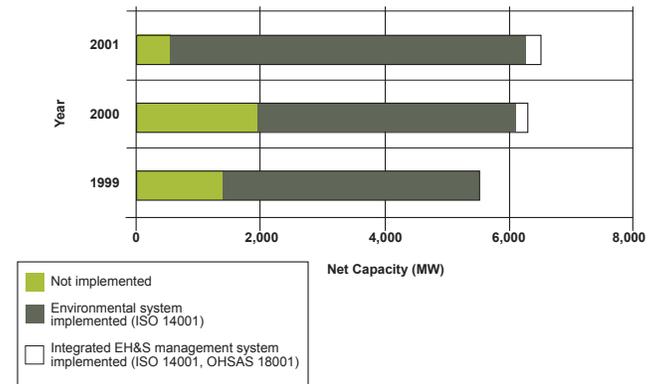
Our Ontario facilities were the first to implement an integrated management system in 2000 and Transmission has since followed suit. Work is underway to develop an integrated EH&S management system for the Alberta thermal plants by November 2002. The integrated EH&S management system is becoming a standard for TransAlta and plans are to implement it corporately throughout the organization. In the next year, our focus will be on implementing the system at many of our operations.

In 2001, TransAlta employees received an average of ten hours of safety training including job specific training and that which was legally mandated.

FACILITY PROGRESS IN IMPLEMENTING EH&S MANAGEMENT SYSTEMS



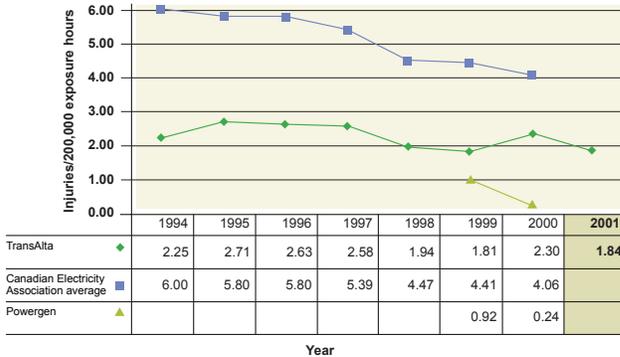
CAPACITY ACCORDING TO EH&S MANAGEMENT SYSTEM IMPLEMENTATION



Performance

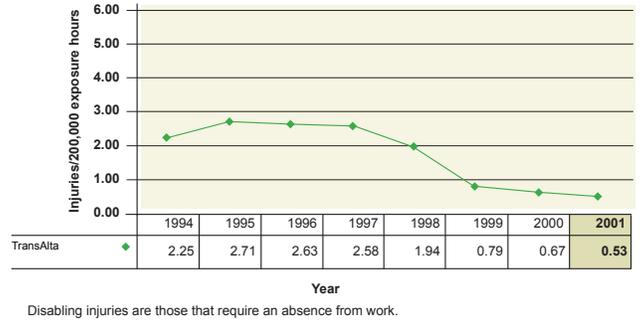
TransAlta's safety performance improved significantly in 2001 over 2000 and remained markedly better than our industry's average. TransAlta's injury frequency rate (IFR) of 1.84 injuries per 200,000 hours worked is a 20 per cent improvement over the 2000 IFR of 2.30 injuries per 200,000 hours worked and eight per cent better than our 2.00 IFR target set for 2001. In 2001 there were a total of 49 safety incidents including 18 lost-time incidents and 31 medical aids. Our 2002 safety target is a corporate IFR of 1.6.

RECORDABLE INJURY FREQUENCY RATE



Powergen and Canadian Electricity Association rates for 2001 were unavailable at the time of reporting. Historic performance for Powergen prior to 1999 not available.

DISABLING INJURY FREQUENCY RATE



Disabling injuries are those that require an absence from work.

TransAlta uses Powergen, a UK-based energy generation and trading company, as the best practice benchmark for IFR.

In 2001, TransAlta's disabling injury frequency rate also dropped indicating not only a reduction in the number of injury incidents, but also a drop in those incidents' severity. A disabling injury is considered to be an injury that causes an absence from work.

Safety contraventions

One safety contravention occurred in 2001 during the Wabamun plant unit 4 turnaround where a contractor was exposed to asbestos. A subsequent investigation found problems in TransAlta's Fibre and Dust Management procedures. We have fixed the procedural problems and have improved the training and certification of project leaders.

Sub-contractor fatality

It is with sadness that we report a fatality at our Sundance thermal plant. On August 7, 2001 a sub-contractor was killed after falling from a ladder in a one of the Sundance plant's cooling towers. Alberta Workplace Health and Safety investigated the incident and is expected to release their report in 2002.

HEALTH & WELLNESS

Health and wellness refers to the organizational and personal health of a company and its employees. TransAlta believes the physical, financial, social and mental well being of employees are all contributing factors to the overall health and productivity of our company.

TransAlta's Occupational Health Advisor, and Health and Wellness team are dedicated to improving the health and wellness of employees, and increasing the effectiveness of case management. In 2001, TransAlta successfully reduced the costs to our long-term disability (LTD) by nearly \$325,000 and short-term disability (STD) by \$216,000 in 2001. Our Alberta Workers Compensation Board (WCB) rate of 0.56 is well below the industry's standard (Light and Power Operations) of 0.67.

TransAlta supports employees with the Employee and Family Assistance Program (EFAP). This confidential, voluntary and professional counseling and information service provides assistance to employees and their families in managing work and non-work related issues such as stress management, family and relationship issues, work-related difficulties, drug or alcohol dependence, financial and legal issues and bereavement.

In 2001 TransAlta's Health and Wellness team also taught employees about preventative health care. This health philosophy was passed to employees through a series of classes, articles and displays on topics such as heart health, ergonomics, back health, stress relief, nutrition and eye health. The Health and Wellness team also hosted a health fair and provided flu vaccinations. The team has also put in place a pre-employment medical process for newly hired employees to ensure they can perform work safely in higher risk jobs.

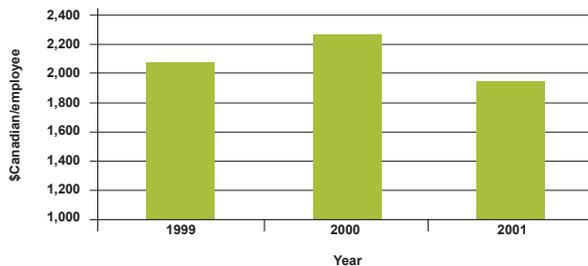
Community relations

TransAlta strives to be a good neighbour, improving the quality of life in the communities where we operate and our employees live and work. We seek to build mutually beneficial relationships that are responsive to our neighbours' needs. By supporting our communities, and creating long-term relationships that foster meaningful dialogue with stakeholders we demonstrate our commitment to corporate responsibility.

DONATIONS & SPONSORSHIP

Through corporate donations and sponsorships TransAlta is able to directly contribute to the quality of life and well being of communities where we operate and our employees live and work. In 2001, TransAlta invested \$4.99 million in our communities through sponsorships and donations.

COMMUNITY INVESTMENTS PER EMPLOYEE



Community investments include sponsorships, corporate donations and initiatives that contribute to the well-being of communities or raise awareness of social or environmental issues.

The change in community investment dollars between 2000 and 2001 is the result of prepayment of some long-term contracts in 2000 and the deferral of payment to others in 2001.

2001 community investment highlights

UNITED WAY: TransAlta employees and retirees continued to demonstrate their concern for the community by donating \$622,000 to the 2001 United Way campaigns. Combined with the company match, TransAlta employees raised more than \$1.32 million.

CENTRALIA COLLEGE FOUNDATION: In 2001, TransAlta donated \$5,000 (U.S.) to the Centralia College Foundation. This non-profit business centre helps develop scholarships and educational opportunities for the community in Centralia and area. TransAlta's donation contributed to the construction of a new state-of the art business centre, enabling the foundation to better perform training and provide educational opportunities in information technology, engineering, electronics and small business development.

TRANSALTA COMMUNITY TRANSFORMERS (TACT): TransAlta Community Transformers (TACT) is a group of TransAlta employees who volunteer personal time to administer a local donations budget in some of the communities where TransAlta operates. In 2001, TACT donated to 19 non-profit organizations in the Wabamun area totaling almost \$25,000. TACT was launched in Centralia in February 2002.

PROJECTS ORGANIZED WITH ENERGIZED RETIREES (POWER): TransAlta retirees continued their tradition of community service in 2001 with more than 5,000 volunteers donating time to projects including fundraising \$38,000 for the United Way and growing 10,400 pounds of fresh vegetables for the Calgary Interfaith Food Bank.

CALGARY EXHIBITION AND STAMPEDE: TransAlta is proud to support the Calgary Exhibition and Stampede, a pillar of the Calgary, Alberta community. We host the 'TransAlta Lights Up the Night' Grandstand Show and fireworks display that entertains thousands of guests every July. We are also supporting the redesign of the Grandstand stage.

FRINGE THEATRE ADVENTURES AND EDMONTON INTERNATIONAL FRINGE FESTIVAL: The Edmonton International Fringe Festival is North America's leading fringe theatre festival and in 2001 attracted more than 800,000 guests. TransAlta's sponsorship supports Fringe Theatre Adventures (FTA) in enhancing the cultural fabric of the city. We also sponsor the FTA's Fringe Theatre for Young People (FTYP) productions, which has expanded to a year-round educational program and produces inspiring theatre for audiences everywhere.

PROJECT PLANET: Engaging young people in sustainable development is the goal of Project Planet, first introduced to Alberta with Canada's hockey legend, Wayne Gretzky. In 2001, TransAlta extended the reach of this flagship environmental program to youth in Ontario. Students submitting the best proposals to support the environment in their communities, neighborhoods and schools received help in implementing their projects and met Wayne Gretzky.

SOUTHERN ALBERTA INSTITUTE OF TECHNOLOGY (SAIT) epiCENTRE: TransAlta supports educational institutes where we operate and where our employees graduate. We offer support such as funding, hiring and scholarships. One of our major new sponsorships for 2001 was the TransAlta epiCentre, a \$4.5 million investment used to develop a power-engineering curriculum along with related facilities to open in late 2002. This multi-year partnership with the Southern Alberta Institute of Technology (SAIT) establishes the TransAlta Electrical Power Industry Centre (epiCentre). It will focus on training and instructional excellence in conventional and alternative sources of power generation.

STAKEHOLDER RELATIONS

TransAlta strives to balance the diverse and often competing expectations of a growing number of stakeholders. Our philosophy is simply this: we make every reasonable effort to engage our stakeholders in meaningful dialogue with the intent of seeking long-term, mutually beneficial relationships.

TransAlta interacts with a number of major external stakeholder groups including: environmental non-governmental organizations, industry peers, individuals and groups in our host communities as well as the regulatory bodies and political leadership that govern our operations. Our stakeholders are defined as those who are directly affected by our presence, and those living in the communities where we operate. Stakeholders may also be defined by the requirements of our operating permits and by virtue of the formal or informal influence they may exert on our company.

Sarnia regional cogeneration facility

The Sarnia Regional Cogeneration Facility is a 650 megawatt (MW) gas-fired cogeneration power plant under construction in Sarnia, Ontario. The plant will provide steam and electricity to nearby facilities owned by Dow Chemical, Bayer Chemical and Nova Chemicals, and will sell excess electricity into Ontario's emerging competitive power market.

Our stakeholders include our customers (Dow Chemical, Bayer Chemical, Sunoco and Nova Chemicals), provincial and municipal political leaders and regulators, the Chippewas of Sarnia, other local industries, and the surrounding community. We are currently developing plans to meet again with stakeholders before the plant comes on-line in October 2002.

In 2001, discussions with stakeholders have focused on issues like employment, the environment, and the siting of related transmission facilities.

We also signed an agreement with the Chippewas of Sarnia in 2001, which will allow us to cross Tashmo Road to install and maintain transmission lines needed for our operations. The agreement will assist TransAlta in enhancing our relationship with them, and will provide economic benefit to the Chippewas of Sarnia through our plant operations.

Centennial project

On Feb. 5, 2001, TransAlta announced the Centennial Project - a 900 megawatt (MW) expansion of our Keephills power plant. The two 450 MW generating units would bring the plant's capacity to a total of 1,654 MW.

In the nine months immediately following the announcement, TransAlta undertook an intensive public consultation process including direct mailings to local stakeholders, advertisements in local newspapers, several open houses, plant tours and an issues workshop with the Paul First Nation.

TransAlta also held smaller group and individual meetings with almost every local landowner, Parkland County, Westview Health Authority, Alberta Environment, Alberta Health & Wellness, Alberta Sustainable Resource Development, the Alberta Energy & Utilities Board, the Clean Energy Coalition (a coalition of local environment groups), Lake Wabamun Enhancement and Protection Association (LWEPA), community of Mewassin, Committee on Keephills Environment (COKE), Paul First Nation, the Transmission Administrator and many others.

Throughout these consultations the key issues identified were:

- the company's choice of power plant technology
- air quality
- potential for human health impacts
- potential effects on Lake Wabamun and area water
- mercury emissions
- local landowner issues like noise, dust, traffic, mine impacts and groundwater.

Based on feedback from stakeholders, TransAlta is reviewing how we manage our ash transportation, cooling water and how we transport employees to and from area facilities. We have also agreed to partially fund a health assessment study of the area with Alberta Health and Wellness and local health authorities. We have committed to continue our relationship with the West Central Airshed Society (WCAS) to monitor regional air quality and potential biological effects of power plant emissions.

In February 2002, the Alberta Energy Utilities Board (EUB) approved the Centennial Project.

Wabamun Lake operating area

TransAlta's three Alberta coal-fired generating facilities and two mines are located in the Wabamun Lake area near the Village of Wabamun, 70-kilometres (43 miles) west of Edmonton. A significant portion of TransAlta's stakeholder relations effort is focused on the communities connected with these operations. TransAlta is committed to understanding local issues and is working with stakeholders to address their concerns through ongoing, open dialogue. A number of stakeholder committees are established to facilitate this dialogue. TransAlta also has regular communication with Wabamun area stakeholders through our monthly 'Kilowatt Connection' newsletter.

WABAMUN LAKE COMMUNITY ADVISORY COMMITTEE: Wabamun Lake Community Advisory committee was established as condition of the 2000 environmental operating permit for our Wabamun plant. The committee was formed as a means of information sharing within the community and as a forum for public consultation on TransAlta's activities in the Wabamun Lake area. Committee members are all local residents.

The committee first met in May 2001 and has met several times in 2001. It will be electing a Board of Directors in the second quarter of 2002.

COMMITTEE ON KEEPHILLS ENVIRONMENT (COKE): COKE, a community-run committee open to residents of the Keephills community, was formed in 1977 to represent the community in the proposed extension of the Highvale mine permit and the original development of the Keephills power plant. It was the first local advisory group created in response to a resource development in Alberta, and continues to meet each month.

In 2001 ongoing discussions led to COKE and TransAlta signing a memorandum of understanding outlining principles of agreement for the proposed Centennial Project.

As a recognized public voice in the Keephills area, the committee's mandate is to monitor opinions and attitudes of Keephills' residents towards development in the area, communicate community concerns to TransAlta, Parkland County and Alberta Environment, and share information with community residents. COKE represents the Keephills area on the Keephills Power Project Steering Committee.

KEEPHILLS POWER PROJECT STEERING COMMITTEE: Since 1978 TransAlta has participated in this committee to share information about the Keephills plant and the Highvale mine. Representatives on this committee, who meet about three times annually, include Parkland County, Committee on Keephills Environment (COKE) and Alberta Environment.

In 2001, we reached an agreement to re-route county roads around the Highvale Mine to allow mining south of Highway 627.

More than 20 years after it was established, the committee continues to monitor socio-economic issues such as land use, ownership and leasing, road network changes and closures, and environmental issues like air quality, dust control, land reclamation and ground-water quality.

THE PAUL FIRST NATION RELATIONSHIP COMMITTEE: TransAlta and the Paul First Nation established the Paul First Nation Relationship Committee in 1994 to encourage discussion about TransAlta's ongoing operations and build mutually beneficial relationships between the Paul First Nation and TransAlta. The committee meets about six times per year.

Based on a memorandum of understanding, this committee discusses issues such as social needs, employment opportunities, business opportunities, educational initiatives, hiring practices, billing practices, project updates, environmental concerns and TransAlta's operations.

This year, TransAlta was successful in signing a 10-year rail and road agreement for use of a rail spur and a road through Paul First Nation land to the Sundance power plant.

During our Centennial project consultations TransAlta held several meetings with the Paul First Nation. We agreed to perform an Indigenous Traditional Land Use Study that will look at the effect our operations have had on plants and herbs found on the Paul First Nation's land.

Centralia

Acquired in 2000, TransAlta's Centralia, Washington facility is currently our largest U.S. operation. The plant supplies approximately four per cent of the power produced in the Pacific Northwest U.S.

When TransAlta agreed to purchase Centralia, we engaged in a collaborative decision-making process with local stakeholders to address concerns and earn the necessary regulatory permits. Our key stakeholders in the area include local environmental groups, employees, businesses as well as local, state and federal regulators. The collaborative decision-making process with these stakeholders resulted in a number of operational changes and investments at the plant.

To address local environmental concerns, TransAlta has upgraded the plant's pollution control equipment including the installation of sulphur dioxide scrubbers and 'Low-NOx' burners dramatically reducing smog-causing emissions. We have upgraded the plant's environmental management system to the ISO 14001 standard and imported some cleaner burning coal from neighbouring Wyoming to further reduce pollution.

TransAlta recently announced the construction of a new 248 megawatt (MW) gas-fired, combined cycle power plant on the site of the existing plant. The plant will go into operation in July 2002 and will add six to eight jobs to the area.

In January 2001, Centralia's Chamber of Commerce (serving Centralia, Chehalis and the greater Lewis County in Washington) recognized TransAlta with the "2000 Business of the Year" award.

Mexico

Venturing out to new countries and cultures is often a challenging and complicated process. Entering Mexico is challenging TransAlta to think about our commitment to sustainable development in an entirely new international context by introducing us to the differences and the unique needs of our Mexican host communities.

TransAlta has begun to build a solid foundation in Mexico by establishing excellent relations with key local stakeholders and understanding the local cultural, economic and environmental issues and concerns.

We currently have two plants under construction - Campeche and Chihuahua.

CAMPECHE: The 252 megawatt natural gas / diesel Campeche power plant is TransAlta's first Mexican project. Over the past year, TransAlta has had many discussions with municipalities and state official about Mexico's industrial development. During construction and as we draw close to operation, discussions have been initiated with the local municipality to develop scholarship programs that will enable us to facilitate the hiring of local employees. Commercial operation of this facility is expected to begin in the first quarter of 2003.

In February 2001, we hosted a public hearing in the town of Palizada, a neighboring town to our Campeche plant. This was TransAlta's first public hearing in another language and was well attended. The major concerns discussed relate to social and labour issues and how our operations can benefit the Palizada municipality and town. Some of TransAlta's Mexico employees and its environmental legal firm worked with the state government and federal environmental authorities; and extensively surveyed the municipality's residents to prepare for the hearing. They also sent out information to local residents regarding our plant.

CHIHUAHUA III: In March 2001, TransAlta successfully won a bid to build and operate a 259-megawatt (MW) power plant in the Mexican state of Chihuahua. CFE, the state-run utility, will purchase 100 per cent of the power from TransAlta's Chihuahua plant under a 25-year power purchase agreement.

The Chihuahua plant is located in the northern part of Mexico near the U.S. border on the site of an existing government power plant. Unlike the remote southern Campeche plant, local stakeholders are more accustomed to industrial development. Employment and using local resources remain important issues.

Construction of the Chihuahua plant began in the third quarter of 2001, with commercial operations projected for second quarter of 2003.

ABORIGINAL RELATIONS

Among TransAlta's stakeholder groups are Canadian Aboriginal communities in and around our operating areas.

With the 2000 sale of our Distribution and Retail business and the 2001 sale of our Transmission business, the number of Aboriginal communities we have direct contact with decreased from 22 First Nations and two Metis Settlements to three First Nations - the Paul First Nation, the Stoney Nation and the Chippewas of Sarnia. Our Aboriginal relationships relate primarily to transmission right-of-ways, transmission substations, hydroelectric and thermal facilities, and the Centennial Project in Alberta. We sold our Transmission assets to AltaLink, but withheld transmission facilities on First Nation land from the sale. We are currently in negotiation regarding transfer of the remaining facilities.

In 2001, TransAlta awarded four \$3,000 scholarships to Aboriginal students. TransAlta currently sponsors seven Aboriginal students with ongoing scholarships for two or four-year programs. TransAlta's business transactions with Aboriginal communities decreased from \$1.05 million in 2000 to \$300,000 in 2001 as a result of having fewer local relationships with First Nations.

We also supported a number of Aboriginal organizations through financial donations of \$40,000 to sporting events, educational initiatives and cultural events, as well as in-kind support of about \$35,000.

In 1999, we stated an intention to address the issue of Aboriginal employment in the company. At the time we reported we had not been successful in retaining a representative proportion of Aboriginal employees; in 1999, we employed 13 individuals with an additional 21 hired as seasonal employees. In 2000, we employed 18 full-time Aboriginal employees and 18 seasonal employees. In 2001, we employed 12 full-time, five temporary and six seasonal Aboriginal employees. TransAlta has made a commitment to hire and train Aboriginal employees and encourages contractors to do the same.

TransAlta has measures in place to continue to attract and retain Aboriginal employees. In 2000, we introduced the Aboriginal Employment Database intended to provide managers with a list of available workers, contacts in Aboriginal communities, and an inventory of Aboriginal businesses and what services and products they offer.

Integrated performance

A principle of sustainable development is that economic growth, social well-being and environmental health are to be considered on balance in an organization's decision making process. In theory, that balance is best achieved - and an organization is closest to being truly sustainable - when environmental, economic and social elements are integrated.

The inclusion of this new section in our sustainable development reporting is an indication of TransAlta's desire to better understand and quantify our contributions and impacts to society.

TransAlta has used the June 2000 Sustainability Reporting Guidelines of the Global Reporting Initiative as our guide for the development of this report. As recommended in this guide, TransAlta is using cross cutting and systemic performance indicators to help us measure our integrated performance.

Cross cutting performance indicators

A cross cutting performance indicator is designed to bridge information across two or more of the three elements of sustainability, demonstrating integration of these elements. The development of these indicators is still in the early and experimental stage, but we are certainly able to provide a snapshot of some of TransAlta's cross-cutting impacts and contributions.

TransAlta contributes to the social and economic health and prosperity of our host communities by producing reliable and affordable electrical energy, creating jobs, purchasing goods and services and paying local, provincial, state and federal taxes.

In 2001, TransAlta produced over 44,136 gigawatt hours (GWh) of electricity. This is enough power for over 10 million average North American homes. TransAlta directly employs 2,550 men and women in four countries. Those employees earned over \$238 million in wages in 2001 that were in turn spent in the local economy purchasing goods and services, creating indirect economic benefits.

In 2001 TransAlta paid \$41 million in income tax to different levels of government. Those tax dollars are used by government to provide essential services ranging from roads and sewers, to law enforcement and social assistance. In Parkland County - the location of our Alberta thermal plants - TransAlta accounts for 60 per cent of budgeted annual tax revenue.

TransAlta contributes to the economic, social and environmental well-being in our operating areas by participating in the development of public policy on environmental regulation. TransAlta is currently participating in a new multi-stakeholder process in the Province of Alberta to develop and introduce a new air emission management system for the electricity sector. This process will result in new performance expectations and standards for the sector covering sulphur dioxide, nitrogen oxides, particulate matter, volatile organic compounds and mercury emissions. This multi-stakeholder process will address environmental, social and economic issues in the development of new standards.

TransAlta also has a busy coal mine reclamation program that returns coal mines to pre-mining condition providing local economic, social and environmental benefits. Reclaimed mines support a wide variety of uses such as agriculture, woodlands, wildlife habitat, recreation and wetlands. In Alberta, reclaimed areas have been leased to local farmers and in some cases, the original landowners. The farms produce cereal crops like barley, oats and canola and hay crops for livestock. In Centralia, we are returning the land to timberlands and wetland habitat. By the end of 2001, approximately 36 per cent of former mined land at our three mines had been reclaimed.

TransAlta's work with regulators to operate our hydroelectric facilities in Alberta delivers economic, social and environmental benefits to the province. In 2001, Alberta suffered the most severe drought conditions experienced in decades. As a result, hydroelectric production for the year was at one of its lowest ever levels. While electricity production was down, stress on the provincial water management system to meet the needs of industry, irrigation, municipalities and the aquatic environment was relieved by appropriate water management. TransAlta worked closely with Alberta Environment and other private water users to ensure that water rights priorities were met and that the water management system worked as efficiently as possible through the dry summer months.

In 2000, TransAlta set aside \$100 million in a Sustainable Development and Technology Fund for investments in renewable and alternative energy and new generation technology. Through this fund TransAlta has invested in small companies working on innovative technologies resulting in economic, environmental and social benefits. Last year, TransAlta more than doubled its commitment to renewable energy and distributed generation, announcing investments in three companies. In the last two years, we have invested more than \$23 million in renewable energy and distributed generation.

Our renewable energy investment was in Vision Quest Windelectric Ltd and has supported the purchase and installation of 67 Vestas V47 wind turbines in Alberta. Those turbines provide local, regional and global environmental benefit through reduced pollution and provide local economic and social benefit through electricity generated for provincial customers and income for landowners.

Finally, TransAlta is pursuing, with partners, the development of clean coal technology. Clean coal technology could potentially eliminate air emissions of concern from coal-fired power generation, transform the value chain of coal and unlock the potential of the world's most abundant fossil fuel.

Systemic indicators

TransAlta understands that our company operates in a world beyond the fence line of our power plants, that our environmental, social and economic performance influences the world around us and should be understood in this larger context. By tracking and studying systemic indicators, we are better able to quantify this relationship with the outside world.

Systemic indicators link an organization's environmental, economic and social performance with sectoral, regional, national or global conditions. These indicators are helpful in understanding an organization's role and performance within a larger context.

Environmental Performance

CARBON DIOXIDE EMISSIONS

Country	Units	National Emissions	TransAlta Emissions (2001)	TransAlta's Contribution to National Emissions
Australia	Mtonnes	460	1	0.19%
Canada	Mtonnes	679	28	4.07%
U.S.	Mtonnes	6572	10	0.15%

Source: United Nations Framework Convention on Climate Change (UNFCCC) Greenhouse Gas Inventory Database

Note: Country inventory is for 1997, the most recently available data

SO₂ EMISSIONS

Country	Units	National Emissions	TransAlta Emissions (2001)	TransAlta's Contribution to National Emissions
Australia	tonnes	1,769,000	0	0.00%
Canada	tonnes	2,653,571	50,852	1.92%
U.S.	tonnes	19,216,000	59,704	0.31%

Source: For Australia and the U.S., United Nations Framework Convention on Climate Change (UNFCCC) Greenhouse Gas Inventory Database

Source: For Canada, Environment Canada's 1995 Criteria Air Contaminant Emissions for Canada

Note: U.S. and Australia inventories are for 1997, the most recently available data

NO_x EMISSIONS

Country	Units	National Emissions	TransAlta Emissions (2001)	TransAlta's Contribution to National Emissions
Australia	tonnes	2,426,000	3,800	0.16%
Canada	tonnes	2,463,971	43,900	1.78%
U.S.	tonnes	22,153,000	16,500	0.07%

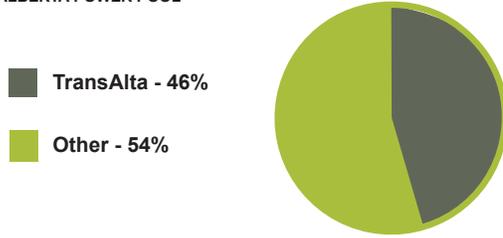
Source: For Australia and the U.S., United Nations Framework Convention on Climate Change (UNFCCC) Greenhouse Gas Inventory Database

Source: For Canada, Environment Canada's 1995 Criteria Air Contaminant Emissions for Canada

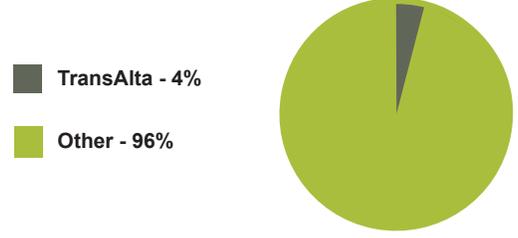
Note: U.S. and Australia inventories are for 1997, the most recently available data

Economic Performance

TRANSALTA'S CONTRIBUTION TO ELECTRICITY GENERATION IN THE ALBERTA POWER POOL

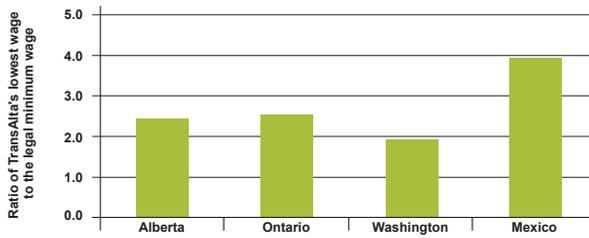


TRANSALTA'S CONTRIBUTION TO ELECTRICITY GENERATION IN THE PACIFIC NORTHWEST REGION OF THE U.S.



Social performance

COMPARISON OF TRANSALTA WAGES TO MINIMUM LEGAL WAGE BY GEOGRAPHIC REGION OF OPERATION



Australian data not available at time of reporting.

Other reports

TransAlta submits a number of corporate environmental reports every year to different agencies, regulators and stakeholders. To be more open with our stakeholders we are presenting more complete information than ever and consolidating four reports into this one. These reports are presented here.

The Voluntary Challenge and Registry (VCR) Program is a Canadian government initiative to encourage private and public sector organizations to reduce greenhouse gas emissions.

Regulators in Canada, the U.S. and Australia require TransAlta to submit reports on the release of toxic substances. In Canada, we submit a report to the National Pollutant Release Inventory. In the United States, we provide a similar report to the Toxic Release Inventory and in Australia to the National Pollutant Inventory.

2001 Voluntary Challenge and Registry (VCR) report

LETTER FROM BOB PAGE, VICE PRESIDENT, SUSTAINABLE DEVELOPMENT

On behalf of TransAlta, I am pleased to submit TransAlta's sixth annual progress report for Canada's Climate Change Voluntary Challenge and Registry (VCR) Program.

I'm proud to report that in 2001 TransAlta continued to make progress in our efforts to reduce the company's contribution to global climate change.

In 2001, TransAlta's total Canadian net greenhouse gas emissions were 4.7 million tonnes below our 1990 levels and 180,000 tonnes lower than 2000. Our greenhouse gas emission rate continued to improve in 2001 and is now 28 per cent better than 1990.

But the emission reductions TransAlta has made to date are only the thin edge of the wedge, setting the stage for what must be a long-term and sustainable plan for emission reduction through technology change and capital stock renewal.

TransAlta's plan includes working to develop market mechanisms for short-term greenhouse gas reductions, increasing operational efficiency, investing in alternative and renewable energies, diversifying our generation fuel mix and working with our peers and the public sector to research, develop and demonstrate clean coal technology.

Today we can begin to see the results of our efforts.

In 2001, TransAlta more than doubled our commitment to renewable energy and distributed generation, announcing investments in three innovative companies through our \$100 million Sustainable Development and Technology Fund. In the last two years, we have invested more than \$23 million in renewable energy and distributed generation.

On Canada Day 2001, TransAlta became the first company in Calgary to have the electricity needs of our corporate headquarters met through wind generation. We signed a 10-year contract with Vision Quest Windelectric Inc. to supply about eight million kilowatt-hours of electricity annually.

We are diversifying our generation fuel mix. In 2001, TransAlta had over 1,400 megawatts of new gas-fired generation under construction worldwide. In 2002, the largest of those projects, the 650-megawatt Sarnia Regional Cogeneration facility in Sarnia Ontario, will come online.

We have established a corporate fuel diversity target of 30 per cent natural gas, 30 per cent hydroelectric, 30 per cent coal and 10 per cent renewable energy by 2010. Currently, 72 per cent of TransAlta's power generation comes from coal.

And finally, we are investing in the research, development and demonstration of clean coal technology through our participation in the Canadian Clean Power Coalition (CCPC). The CCPC intends to demonstrate commercially viable new technology for coal-fired generation with little or no air or carbon dioxide emissions by 2007.

I'm happy to say, all our work on sustainable development has not gone unnoticed. For the third consecutive year, TransAlta was listed on the Dow Jones Sustainability World Index. We were also added to the prestigious FTSE 4 Good Global Index for our environmental performance. Our sustainability reporting was recognized by the Canadian Institute of Chartered Accountants and the National Post as among the best in Canada with their 'Overall Award of Excellence' for environmental and sustainability reporting.

We have done a lot in 2001 but we must do even more in 2002, 2003 and beyond.

Thank you for taking a few minutes to review the content of this report. Please feel free to share your thoughts and comments with us. We can be reached by email at sustainable_development@transalta.com.



Dr. Robert J.D. Page

VICE PRESIDENT, SUSTAINABLE DEVELOPMENT

ENVIRONMENTAL MANAGEMENT SYSTEMS

The Chief Executive Officer and the Board of Directors have ultimate responsibility for TransAlta's environment, health and safety (EH&S) performance. The audit and environment committee is one of the Board's three permanent committees. It reviews the principle risks to the corporation and systems for managing these risks, receiving regular performance reports from Sustainable Development. The committee, which consists of seven members of the Board (independent of management), met 11 times in 2001.

TransAlta's Sustainable Development department is responsible for establishing and maintaining corporate environment, health and safety standards, and has a corporate governance role in assessing and reporting on adherence to these standards. The department is also responsible for leading development of TransAlta's greenhouse gas strategy and the implementation of our offsets program.

In Canada, TransAlta has 37 employees whose primary role working in environment, health and safety management. Company wide, there are 54 employees who spend at least half of their time on environment, health and safety management.

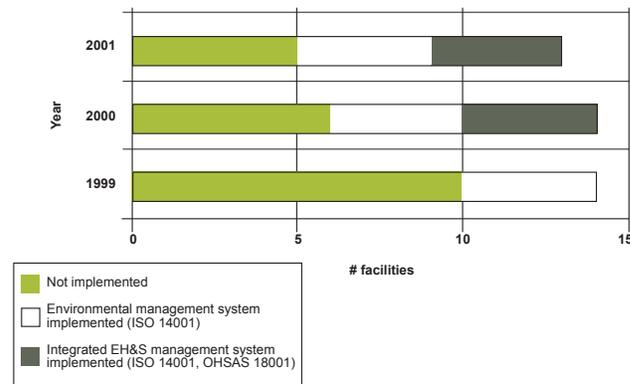
ISO 14001

A central element of TransAlta's efforts to reduce our environmental impact is a corporation wide upgrade of our environmental management systems to the ISO 14001 standard. ISO 14001 is an international standard for environmental management systems that helps ensure corporate compliance with environmental regulation, improves pollution prevention and drives continual improvement in environmental performance.

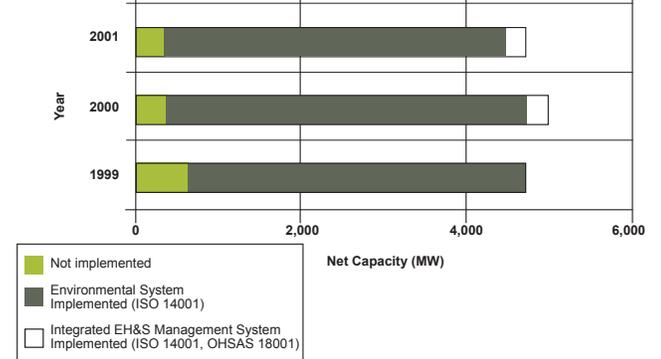
By the end of 2001, TransAlta's three Ontario gas-fired generation facilities, 13 hydroelectric facilities, three Alberta coal-fired facilities, the Centralia power plant and mine, our Australian facilities and our Transmission business all had ISO 14001 systems in place. Centralia is expected to officially register later this year.

In 2001, TransAlta employees had an average of one hour of environmental training per employee.

PROGRESS OF CANADIAN FACILITIES TOWARDS EH&S MANAGEMENT SYSTEM IMPLEMENTATION



CAPACITY IN CANADA ACCORDING TO EH&S MANAGEMENT SYSTEM IMPLEMENTATION



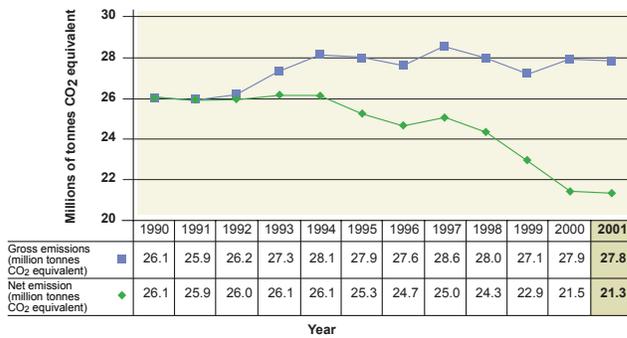
By the end of 2001, 91 per cent of TransAlta's generating capacity was covered by an ISO 14001 compatible environmental management system. Four per cent of TransAlta's Canadian generating capacity is subject to an integrated environment, health and safety system.

ACHIEVING TARGETS

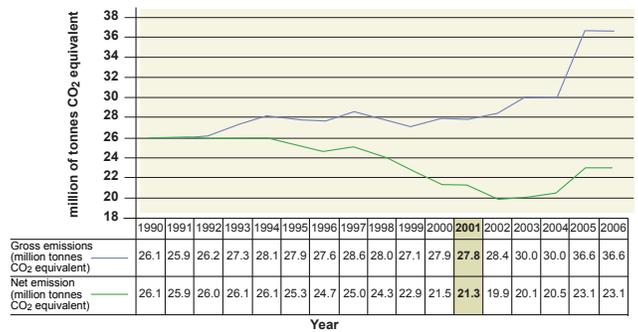
TransAlta has been on the leading edge of finding solutions to the climate change issue since the early 1990s. We have achieved internal efficiencies to reduce our output of greenhouse gas. We've worked to develop offset projects and helped prove market-based mechanisms like emission trading can work. We are also involved in research and development of clean coal technology.

TransAlta reports both gross and net greenhouse gas emissions. Gross emissions are total emissions before emission reduction actions. Net emissions refer to actual greenhouse gas contribution to the environment accounting for reductions from offsetting activities. Those activities may include achieving efficiency improvements, purchasing renewable energy, emissions trading and bringing on-line less carbon-intensive forms of power generation. About one half of carbon dioxide emissions are absorbed by natural systems including forests, soils and oceans.

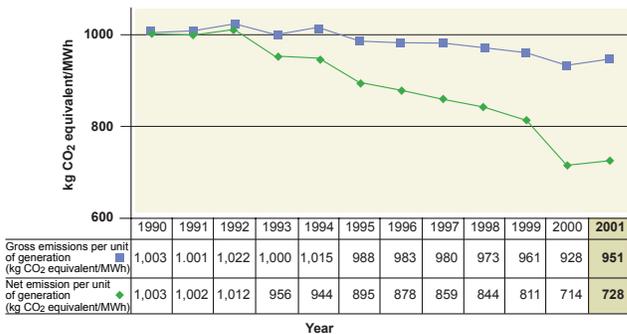
CANADIAN GREENHOUSE GAS EMISSIONS



CANADIAN GREENHOUSE GAS EMISSIONS WITH FORECAST



CANADIAN GREENHOUSE GAS EMISSIONS PER UNIT OF GENERATION



In 2001, TransAlta's Canadian net greenhouse gas emissions dropped by 182,000 tonnes from 2000, the result of increased gas-fired generation and offsets for renewable energy purchases. By the end of 2001, our total annual net Canadian emissions were approximately 21.3 million tonnes of CO₂E.

TransAlta's current annual Canadian gross greenhouse gas emissions have grown 1.6 million tonnes compared to 1990. In the same period, the amount of power TransAlta produced in Canada grew 12 percent. While total emissions have grown, the amount greenhouse gas produced for every megawatt hour of electricity generated continues to be less than what it was in 1990. In 2001, TransAlta's greenhouse gas emissions per megawatt hour remained relatively stable compared to 2000, approximately 28 per cent better than 1990. This emission rate will improve an additional 12 per cent when the 650 MW Sarnia Regional Cogeneration facility comes online in 2002. This facility will be Canada's largest cogeneration power plant.

EMISSION REDUCTION ACTIVITIES

Carbon offsets

Carbon offsets refers to domestic or international actions that reduce, absorb or avoid greenhouse gas emissions. Our portfolio of off-sets continued to deliver reductions last year. In 2001, our emission reductions from offset activities totaled over 6.47 million tonnes of carbon dioxide equivalent (CO₂E). Offset projects we have invested in include coal bed methane capture, landfill gas, ruminant methane, energy efficiency, renewables and alternative energy and biological sequestration.

TransAlta is a supporter and financial contributor to biological sinks research and chair of the BIOCAP Canada Foundation, a unique partnership of universities, governments, environmental non-governmental organizations and the private sector.

Emission trading

One market-based approach to managing greenhouse gas emissions is emission trading. In an emission reduction trade, a company or organization that has the ability to absorb or reduce greenhouse gas sells emission credits to another organization that needs them anywhere in the world. The result is a financial incentive to reduce emissions and a net reduction in global concentrations of carbon dioxide (CO₂). Along with international partners, TransAlta is proving that market-based mechanisms can work to provide real reductions in atmospheric concentrations of greenhouse gas. TransAlta has completed a number of trades from nearly every continent on the globe. These transactions reduce our net greenhouse gas emissions by just over 68,000 tonnes of CO₂E in 2001.

Ash sales

When coal is burned, two kinds of solid waste are left behind-bottom ash and fly ash. Bottom ash is ash that falls to the bottom of the boiler. Fly ash, which is very light, exits the boiler along with the hot gases. The majority of fly ash is collected and removed before the flue gases are dispersed into the atmosphere.

Fly ash is a valuable ingredient in making concrete because of its low-carbon residue, low sodium, light colour, fine consistency and moderate calcium content. Using ash in this manner creates a CO₂ offset by displacing some of the fossil fuels, limestone and electricity used in the production of concrete. Ash is also used in roadbed construction and other building materials. Ash not sold is safely disposed of in approved sites in our mines or ash lagoons next to our operations.

In 2001, TransAlta sold over 18 per cent of the fly ash and bottom ash produced by our Canadian coal-fired power plants. Ash sales reduced TransAlta's Canadian net CO₂ emissions by 49,700 tonnes in 2001.

TransAlta's ash sales increased with the purchase of the Centralia power plant. Centralia sells approximately 80 per cent of the ash produced.

Renewable energy purchases

TransAlta purchases renewable energy in Alberta through the Small Power Research and Development Act (SPRDA). Through this program, TransAlta has signed long-term power purchase contracts at legislated prices with a number of independent renewable energy providers. This power is resold to Alberta consumers. In 2001, TransAlta purchased electricity through the SPRDA that offsets 385,110 tonnes of CO₂E.

In July 2001 TransAlta began supplying our head office electricity needs through wind energy. This has resulted in a reduction of 6,860 tonnes of CO₂E.

Gas-fired generation

TransAlta's gas-fired power plants also contribute emission reductions by using natural gas to generate power, which emits less carbon dioxide than coal. Using a methodology developed by the Pilot Emission Reduction Trading project (PERT) and grid average emission factors taken from the utilities displaced; TransAlta offset 4.7 million tonnes of CO₂E in 2001.

COMMUNICATION & OUTREACH

Talking with employees

TransAlta talks regularly with our employees about sustainable development and climate change issues. Using our intranet, the Employee News Network (ENN), we post stories on climate change issues and discuss the latest developments in our climate change plans and progress.

Our annual Employee Recognition Awards highlight outstanding achievements and contributions TransAlta employees make to their community, their peer groups and to the company's success. The awards are a reflection of the principles TransAlta embraces. One of the categories for employee recognition is Sustainable Development, recognizing employee contributions to the company's environmental performance including reducing greenhouse gas emissions.

Public policy development

In the last several years, TransAlta has been actively involved in public policy discussions on the climate change issue. Some of our formal activities have included:

- Chairing one of Canada's national greenhouse gas advisory committees
- Bob Page, Vice President of Sustainable Development, is Chair of International Emissions Trading Association
- Submitting our second greenhouse gas action plan to the Australian Government
- TransAlta CEO Steve Snyder is on Board of Alberta's Climate Change Central
- TransAlta is on the Board of Directors of Ontario's Clean Air Corporation
- We have participated in Canada's national climate change consultations
- A member of the Electricity Table
- Participated in the Credit for Early Action Table
- TransAlta is a member of the U.S.-based Pew Center on Global Climate Change, Business Environmental Leadership Council
- Member of Alberta's Clean Air Strategic Alliance
- Canadian Electricity Association
- Member in the U.S. lobby group Energy for a Clean Air Future
- International Institute for Sustainable Development
- World Business Council for Sustainable Development
- 'Engaged Group' of companies advocating voluntary action on climate change in Canada

Community outreach

With the sale of our Distribution and Retail business, our community outreach activity on climate change has declined, but we continue to contribute to the public debate on this important issue.

Our premier public outreach program in 2001 was Project Planet. First introduced to Alberta with Canada's hockey legend, Wayne Gretzky, Project Planet Challenge encourages school-aged children to come up with innovative ways to help the environment in their community, neighbourhood or school. Climate change and improving air quality is one theme area.

In 2000/2001, TransAlta extended the reach of this program to young people in Ontario, launching it at Vincent Massey Public School in Ottawa.

Project Planet winners get to meet Wayne Gretzky and TransAlta will help make their projects happen.

VCR STATISTICAL SUMMARY

TRANSALTA CORPORATION

(Canadian Operations)

Generation (megawatt-hours)	1990	2000	2001
Coal-fired power plants	23,930,000	23,927,000	23,632,000
Hydro power plants	2,051,000	1,492,000	1,252,000
Gas-fired power plants ¹	0	4,667,000	4,357,000
Total generation	25,981,000	30,087,000	29,241,000
Emissions (tonnes of CO₂ equivalent)			
Carbon Dioxide (CO₂)			
Coal-fired power plants	25,436,140	25,079,250	25,084,300
Gas-fired power plants ¹	0	2,226,140	2,130,150
Mining vehicles	47,000	47,000	47,000
Fleet vehicles	13,950	7,980	1,770
Building operations	13,760	13,410	12,380
Methane (CH₄)			
Coal-fired power plants	4,020	4,000	4,000
Gas-fired power plants ¹	0	120	110
Coal mining	138,000	137,000	130,000
Mining vehicles	40	40	40
Fleet vehicles	40	20	4
Nitrous Oxide (N₂O)			
Coal-fired power plants	225,690	224,610	224,610
Gas-fired power plants ¹	0	7,340	7,020
Coal mining	180,550	179,490	179,740
Mining vehicles	620	590	590
Fleet vehicles	660	290	80
CFC-11			
Building operations	0	0	1,040
Total emissions	26,046,010	27,913,870	27,645,294
Emission reductions initiatives			
Operating efficiency improvements (tonnes of CO₂ equivalent)			
Hydro power plants	0	67,000	67,000
Building operations	0	3,000	3,000
Offset projects and activities (tonnes of CO₂ equivalent)			
Gas-fired power plants ¹	0	4,161,360	4,675,640
Renewable power purchased	0	431,010	391,970
Mine land reclamation	0	5,000	7,000
Ash sales	0	47,650	49,780
Edmonton co-composting facility	0	123,000	0
Saskatchewan Soil	0	1,601,000	1,281,000
Other current and proposed offset projects	0	11,850	68,040
Total emission reductions from the action plan	0	6,451,510	6,543,430
Net contribution to the atmosphere	26,046,010	21,462,360	21,279,400
Net emissions per unit of generation (Kilograms per megawatt-hour)	1003	713	728

Please see discussion and notes section for explanation.

1. Effective January 2002, our independent power projects segment became known as gas-fired generation

VCR DISCUSSION & NOTES

Discussion of improvements

- TransAlta's VCR report adheres to the principles set out in The Greenhouse Gas Protocol developed by the World Business Council on Sustainable Development and the World Resources Institute. The five principles of greenhouse gas accounting and reporting that are followed are relevance, completeness, consistency, transparency, and accuracy.
- We report all emissions from facilities where we hold the operating permit. This reflects our impact to the environment and is independent of financial ownership.

Emissions section

For the purposes of completeness, we include all known greenhouse gas emissions. New this year, TransAlta reports a release of CFC-11 from a leak in the cooling unit at head office. CFC-11 is a greenhouse gas with a global warming potential of 4,000. TransAlta may have quantities of SF₆ gas, used in the power industry as an electrical insulator, in operation, but has had no known atmospheric releases of the substance in 2001. SF₆ is a greenhouse gas with a global warming potential of 23,900.

Reductions section

Historic reductions have been revised as TransAlta no longer claims offsets generated through GemCo projects.

Notes

1. Building operation emissions are determined from TransAlta buildings' power consumption and the average grid emission factor to generate that power (in Alberta, this is taken to be 1 CO₂E tonne/MWh). It is recognized that this grid emission factor could be subdivided into CO₂, CH₄, and N₂O emissions, but as CH₄ and N₂O are relatively small contributors, for this report it is assumed that all emissions resulting from building operations are carbon dioxide emissions.
2. Gas-fired generation reductions result from the displacement of power from the power grid and are calculated by using the most recently available grid emission rate.
3. Renewable power purchases include powering of our head office with wind power as well as TransAlta's participation in the Alberta Small Power Research and Development Act (SPRDA). TransAlta has long-term power purchase contracts with independent developers. TransAlta claims 100 per cent of CO₂ credits associated with these renewable purchases with the exception of those independent developers that are a part of the KEFI Exchange. TransAlta does not claim CO₂ reductions from tonnes that another company trades on the KEFI Exchange.
4. Edmonton Composter facility offsets result from displacing the carbon dioxide and methane that would have been incurred from land filling municipal waste. It is calculated using a model developed by the Pembina Institute for Appropriate Development. TransAlta sold of the co-composter in 2000 and therefore claims no credits in 2001 or in future.
5. Reductions from the Saskatchewan soils carbon sequestration are discounted beginning in 2001 to reflect a decrease in the implementation and maintenance of the project.
6. Other current and proposed offset projects include reductions developed through bilateral contracts. For confidentiality reasons, TransAlta does not disclose reductions on a project basis.

Pollutant Inventories

TransAlta is required to report the release of certain substances to the Canadian, U.S. and Australian governments. These reports are essentially a catalogue of releases from industrial operations above a certain quantity threshold. A release is considered any potentially toxic by-product of those operations.

For TransAlta, these releases consist almost exclusively of trace metals found in coal, but what these reports do not usually indicate is how these substances are handled. As an example, the Canadian National Pollutant Release Inventory (NPRI) lists substances like lead, chromium and nickel that are trace elements in coal ash. TransAlta captures 99.4 per cent of fly ash and 100 per cent of bottom ash. Thirty-one per cent of fly ash is sold for use in concrete while the remaining ash is safely disposed of in approved sites like the mine pit that the coal was drawn from.

Because of regulatory timelines, 2001 reports are not currently available. TransAlta's 2001 pollutant release data will be available in 2003.

NATIONAL POLLUTANT RELEASE INVENTORY (CANADA)

TOTAL CANADIAN NPRI RELEASES

Emission	Units	1998	1999	2000
Ammonia	tonne	123	94	61
Arsenic	tonne	11	10	10
Asbestos	tonne	0	35	416
Chromium	tonne	54	45	45
Cobalt	tonne	17	13	14
Copper	tonne	29	24	24
Dioxin/Furans	g TEQ	not reported	not reported	1
Glycol	tonne	0	5	5
Hexachlorobenzene	kg	not reported	not reported	9
Hydrochloric Acid	tonne	113	108	106
Hydrogen fluoride	tonne	709	674	659
Lead	tonne	71	57	59
Manganese	tonne	494	458	444
Mercury	kg	not reported	not reported	763
Nickel	tonne	46	36	37
PAH	kg	not reported	not reported	9
Sulphuric Acid	tonne	700	59	68
Zinc	tonne	63	51	52

TOXIC RELEASE INVENTORY (TRI) (UNITED STATES)

For more information on the Toxic Release Inventory, visit the Edison Electric Institute website at www.eei.org.

TOTAL U.S. TRI RELEASES

Reportable Chemicals	Units	1999	2000
Arsenic	tonne	5	2
Barium	tonne	312	934
Chlorine	tonne	0.005	0.005
Chromium	tonne	38	33
Cobalt	tonne	20	21
Copper	tonne	41	60
Hydrochloric Acid	tonne	103	86
Hydrogen fluoride	tonne	272	184
Lead	tonne	26	6
Manganese	tonne	200	160
Nickel	tonne	48	14
Sulphuric Acid	tonne	91	87
Zinc	tonne	128	49

TOTAL AUSTRALIAN NPI RELEASES

Emission	Units	1999 to 2000	2000 to 2001
CO ₂	tonne	119	128
NO _x	tonne	4147	5,273

Statistical summary

Corporate statistics

Environmental performance	units	2001	2000	1999
Environmental management				
Environmental compliance audits	#	5	6	0
Environmental management audits	#	9	6	4
Air				
SO ₂ emissions	tonnes	110,600	128,000	51,200
SO ₂ emissions per unit of generation	kg/MWh	2.77	3.12	1.57
NO _x emissions	tonnes	65,500	66,100	50,100
NO _x emissions per unit of generation	kg/MWh	1.64	1.61	1.54
Particulate emissions	tonnes	7,000	5,600	4,600
Particulate emissions per unit of generation	kg/MWh	0.175	0.137	0.141
CO ₂ emissions	CO ₂ equivalent tonnes	37,773,000	37,700,000	28,674,000
Methane emissions	CO ₂ equivalent tonnes	177,000	182,000	150,000
NO _x emissions	CO ₂ equivalent tonnes	546,000	535,000	414,000
CFC-11 Emissions	CO ₂ equivalent tonnes	1,000	0	0
Greenhouse gas gross emissions ³	CO ₂ equivalent tonnes	38,497,000	38,417,000	29,238,000
Greenhouse gas reductions ⁴	CO ₂ equivalent tonnes	6,610,000	6,496,000	4,242,000
Greenhouse gas net emissions	CO ₂ equivalent tonnes	31,887,000	31,921,000	24,996,000
Greenhouse gas emissions per unit of generation	CO ₂ equivalent kg/MWh	800	777	762
Land and material management				
Land used in mining activities	hectares	17,880	18,170	12,420
Land used by plants, offices and equipment	hectares		4,140	2,180
Non-hazardous waste disposed	tonnes	1,810	1,610	560
Hazardous waste disposed	tonnes	1,200	90	no data
Paper used	tonnes	91	117	113
Paper recycled	tonnes	146	148	138
Water				
Total water intake	m ³	614,613,000	569,988,000	656,527,000
Total water released	m ³	574,575,000	480,450,000	560,941,000
Water consumption	m ³	40,038,000	89,538,000	95,586,000
Water consumption per unit of generation	m ³ /MWh	1.00	2.18	2.91
Regulatory performance				
Stack regulatory contraventions	#	11	13	4
General air regulatory contraventions	#	5	15	11
Spills to land regulatory contraventions	#	5	5	4
Spills to water regulatory contraventions	#	15	6	10
Other regulatory contraventions ¹	#	12	17	10
Environmental enforcement actions ²	#	5	5	2

Corporate statistics (cont'd)

Economic performance	units	2001	2000	1999
Coal generation net capacity	MW	4,674	4,629	3,289
Natural gas generation net capacity	MW	1,055	899	1,367
Hydro generation net capacity	MW	795	795	827
Total	MW	6,524	6,323	5,483
Coal net generation	MWh	32,682,000	33,481,000	24,109,000
Natural gas net generation	MWh	5,933,000	6,098,000	6,636,000
Hydro net generation	MWh	1,252,000	1,492,000	2,053,000
Total generation	MWh	39,867,000	41,071,000	32,798,000
Earnings before regulatory decisions, income taxes, and non-controlling interest	millions Cdn \$	\$ 282.1	\$ 272.4	\$ 149.5
Cash flow from operating activities	millions Cdn \$	\$ 624.5	\$ 616.9	\$ 477.7
Net earnings per share	\$/share	\$ 1.27	\$ 1.66	\$ 1.00
Income tax paid	millions Cdn \$	\$ 41.5	\$ 140.7	\$ 198.7
Performance stock option shares ⁶	# of share options	400,000	600,000	900,000
Performance stock option shares	weighed average exercise price	\$ 22.31	\$ 21.87	\$ 23.05
Employee future benefits	millions Cdn \$	\$ 403.4	\$ 423.5	\$ 417.2
Investment in wind generation	millions Cdn \$	\$ 10.0	\$ 8.5	\$ –
Investment in distributed generation	millions Cdn \$	\$ 7.9	\$ –	\$ –
Investment in research and technology	millions Cdn \$	\$ 1.2	\$ 3.5	\$ 2.6
Capital expenditures on environmental monitoring and pollution abatement ⁵	millions Cdn \$	\$ 74.1	not reported	not reported
Operations and maintenance (O&M) expenditures on environmental monitoring and pollution abatement	millions Cdn \$	\$ 7.2	not reported	not reported
Social Performance	units	2001	2000	1999
Health and safety (H&S)				
Health regulatory contraventions	#	2	0	0
Safety regulatory contraventions	#	1	2	0
H&S enforcement actions	#	0	0	0
Full-time (FT) and FT equivalent employees ⁸	#	2,550	2,343	2,201
Environmental health and safety (EH&S) FT equivalent employees ⁹	#	54	61	not reported
A total number of injuries	#	49	55	30
Number of injuries requiring absence from work	#	18	16	14
Recordable injury frequency rate ¹⁰	per 200,000 exp. hrs	1.84	2.3	1.81
Disabling injury frequency rate	per 200,000 exp. hrs	0.53	0.67	0.73
Short-term disability rate ¹²	days/1000 employees	936	729	1,354
Long-term disability rate ¹³	#/1000 employees	2.35	1.28	1.82
Reportable vehicle incidents	#	17	24	69
H&S training per employee	hours/employee	10	7	40
Environmental training per employee	hours/employee	1	1	5
Community relations				
Community investments ¹⁴	Millions Cdn \$	\$ 4.99	\$ 5.34	\$ 4.56
Community investments per employee	Cdn \$/employee	\$ 1,960	\$ 2,280	\$ 2,070
Company-initiated volunteer hours per employee ¹⁵	hours/employee	4	5	not reported

Please see discussion and notes section for explanation.

Canadian statistics

Environmental performance	units	2001	2000	1999
Environmental management				
Environmental compliance audits	#	4	5	no data
Environmental management audits	#	7	6	no data
Air				
SO ₂ emissions	tonnes	50,852	52,177	51,218
SO ₂ emissions per unit of generation	kg/MWh	1.74	1.73	1.81
NO _x emissions	tonnes	43,900	44,700	44,700
NO _x emissions per unit of generation	kg/MWh	1.50	1.49	1.70
Particulate emissions	tonnes	5,960	4,385	4,748
Particulate emissions per unit of generation	kg/MWh	0.213	0.153	0.181
CO₂ emissions				
CO ₂ emissions	CO ₂ equivalent tonnes	27,276,000	27,374,000	26,586,000
Methane emissions	CO ₂ equivalent tonnes	134,000	141,000	143,000
NO _x emissions	CO ₂ equivalent tonnes	412,000	412,000	413,000
CFC-11 emissions	CO ₂ equivalent tonnes	1,000	0	0
Greenhouse gas gross emissions ³	CO ₂ equivalent tonnes	27,823,000	27,927,000	27,142,000
Greenhouse gas reductions ⁴	CO ₂ equivalent tonnes	6,543,000	6,451,000	4,244,000
Greenhouse gas net emissions	CO ₂ equivalent tonnes	21,279,000	21,476,000	22,898,000
Greenhouse gas emissions per unit of generation	CO ₂ equivalent kg/MWh	728	714	811
Land and material management				
Land used in mining activities	hectares	12,460	12,810	12,420
Land used by plants, offices and equipment	hectares	4,020	4,000	3,770
Non-hazardous waste disposed	tonnes	1,040	1,320	560
Hazardous waste disposed	tonnes	1,190	80	not reported
Paper used	tonnes	80	109	107
Paper recycled	tonnes	114	120	138
Water				
Total water intake	m ³	596,185,000	551,067,000	653,714,000
Total water released	m ³	573,201,000	479,057,000	560,455,000
Water consumption	m ³	22,984,000	72,010,000	93,259,000
Water consumption per unit of generation	m ³ /MWh	0.79	2.39	3.30
Regulatory performance				
Stack regulatory contraventions	#	10	11	4
General air regulatory contraventions	#	5	13	9
Spills to land regulatory contraventions	#	2	5	1
Spills to water regulatory contraventions	#	11	5	6
Other regulatory contraventions ¹	#	12	16	8
Environmental enforcement actions ²	#	4	2	0

Canadian statistics (cont'd)

Economic performance	units	2001	2000	1999
Coal generation net capacity	MW	3,334	3,289	3,289
Natural gas generation net capacity	MW	584	629	629
Hydro generation net capacity	MW	795	795	795
Total	MW	4,713	4,713	4,713
Coal net generation	MWh	23,632,000	23,927,000	24,145,000
Natural gas net generation	MWh	4,357,000	4,667,000	2,165,000
Hydro net generation	MWh	1,252,000	1,492,000	1,969,000
Total generation	MWh	29,241,000	30,086,000	28,279,000
Capital expenditures on environmental monitoring and pollution abatement ⁵	millions Cdn \$	\$ 6.1	not reported	not reported
Operations and maintenance (O&M) expenditures on environmental monitoring and pollution abatement	millions Cdn \$	\$ 4.3	not reported	not reported
Social Performance	units	2001	2000	1999
Health and safety (H&S)				
Health regulatory contraventions	#	0	0	0
Safety regulatory contraventions	#	1	0	0
H&S enforcement actions	#	0	0	0
Full-time (FT) and FT equivalent employees	#	1700	1,535	2,162
EH&S FT equivalent employees ⁹	#	37	43	not reported
Total number of injuries	#	19	43	33
Number of injuries requiring absence from work ¹¹	#	7	14	17
Recordable injury frequency rate ¹⁰	per 200,000 exp. hrs	1.07	2.13	2.2
Disabling injury frequency rate	per 200,000 exp. hrs	0.39	0.90	0.87
Short-term disability rate ¹²	days/1000 employees	1,202	1,107	1,379
Long-term disability rate ¹³	#/1000 employees	3.53	1.94	1.85
Reportable vehicle incidents	#	17	15	69
H&S training per employee	hours/employee	10	5	40
Environmental training per employee	hours/employee	1	1	5
Community relations				
Community investments ¹⁴	millions Cdn \$	\$ 4.94	\$ 5.28	\$ 4.55
Community investments per employee	Cdn \$/employee	\$ 2,900	\$3,400	\$2,100
Volunteer hours per employee ¹⁵	hours/employee	6	6	not reported

Please see discussion and notes section for explanation.

U.S. statistics

Environmental performance	units	2001	2000
Environmental management			
Environmental compliance audits	#	0	1
Environmental management audits	#	2	0
Air			
SO ₂ emissions	tonnes	60,000	75,800
SO ₂ emissions per unit of generation	kg/MWh	6.56	7.94
NO _x emissions	tonnes	16,500	18,100
NO _x emissions per unit of generation	kg/MWh	1.81	1.89
Particulate emissions	tonnes	1,000	1,200
Particulate emissions per unit of generation	kg/MWh	0.114	0.128
CO ₂ emissions	CO ₂ equivalent tonnes	9,616,000	9,474,000
Methane emissions	CO ₂ equivalent tonnes	42,000	38,000
NO _x emissions	CO ₂ equivalent tonnes	132,000	121,000
CFC-11 emissions	CO ₂ equivalent tonnes	0	0
Greenhouse gas gross emissions ³	CO ₂ equivalent tonnes	9,790,000	9,633,000
Greenhouse gas reductions ⁴	CO ₂ equivalent tonnes	73,000	49,000
Greenhouse gas net emissions	CO ₂ equivalent tonnes	9,716,000	9,585,000
Greenhouse gas emissions per unit of generation	CO ₂ equivalent kg/MWh	1,068	1,003
Land and material management			
Land used in mining activities	hectares	5,420	5,370
Land used by plants, offices and equipment	hectares	130	130
Non-hazardous waste disposed	tonnes	750	270
Hazardous waste disposed	tonnes	10	10
Paper used	tonnes	8	4
Paper recycled	tonnes	32	28
Water			
Total water intake	m ³	18,257,000	18,804,000
Total water released	m ³	1,374,000	1,393,000
Water consumption	m ³	16,883,000	17,411,000
Water consumption per unit of generation	m ³ /MWh	1.86	1.82
Regulatory performance			
Stack regulatory contraventions	#	1	2
General air regulatory contraventions	#	0	1
Spills to land regulatory contraventions	#	1	0
Spills to water regulatory contraventions	#	4	1
Other regulatory contraventions ¹	#	0	1
Environmental enforcement actions ²	#	1	3

U.S. statistics (cont'd)

Economic performance	units	2001	2000
Coal generation net capacity	MW	1,340	1,340
Natural gas generation net capacity	MW	201	0
Hydro generation net capacity	MW	0	0
Total	MW	1,541	1,340
Coal net generation	MWh	9,050,000	9,554,000
Natural gas net generation	MWh	47,000	0
Hydro net generation	MWh	0	0
Total generation	MWh	9,097,000	9,554,000
Capital expenditures on environmental monitoring and pollution abatement ⁵	millions Cdn \$	\$ 68.0	not reported
Operations and maintenance (O&M) expenditures on environmental monitoring and pollution abatement	millions Cdn \$	\$ 2.8	not reported
Social performance	units	2001	2000
Health and safety (H&S)			
Health regulatory contraventions	#	2	0
Safety regulatory contraventions	#	0	2
H&S enforcement actions	#	0	0
Full-time (FT) and FT equivalent employees ⁸	#	783	739
EH&S FT equivalent employees ⁹	#	17	18
Total number of injuries	#	30	20
Number of injuries requiring absence from work ¹¹	#	7	2
Recordable injury frequency rate ¹⁰	per 200,000 exp. hrs	3.56	2.79
Disabling injury frequency rate	per 200,000 exp. hrs	0.83	0.28
Short-term disability rate ¹²	days/1000 employees	438	9
Long-term disability rate ¹³	#/1000 employees	0	0
Reportable vehicle incidents	#	0	3
H&S training per employee	hours/employee	10	10
Environmental training per employee	hours/employee	2	1
Community relations			
Community investments ¹⁴	Cdn \$	\$ 57,000	\$ 57,000
Community investments per employee	Cdn \$/employee	\$ 72.00	\$ 77.00
Company-initiated volunteer hours per employee ¹⁵	hours/employee	1	1

Please see discussion and notes section for explanation.

Australian statistics

Environmental performance	units	2001	2000	1999
Environmental management				
Environmental compliance audits	#	1	0	not reported
Environmental management audits	#	0	0	not reported
Air				
SO ₂ emissions	tonnes	0	0	0
SO ₂ emissions per unit of generation	kg/MWh	0	0	0
NO _x emissions	tonnes	5,100	3,800	4,200
NO _x emissions per unit of generation	kg/MWh	3.34	2.66	3.27
Particulate emissions	tonnes	0	0	0
Particulate emissions per unit of generation	kg/MWh	0	0	0
CO ₂ emissions	CO ₂ equivalent tonnes	882,000	852,000	788,000
Methane emissions	CO ₂ equivalent tonnes	3,000	3,000	3,000
NO _x emissions	CO ₂ equivalent tonnes	2,000	2,000	1,000
CFC-11 emissions	CO ₂ equivalent tonnes	0	0	0
Greenhouse gas gross emissions ³	CO ₂ equivalent tonnes	887,000	857,000	792,000
Greenhouse gas reductions ⁴	CO ₂ equivalent tonnes	0	0	0
Greenhouse gas net emissions	CO ₂ equivalent tonnes	887,000	857,000	792,000
Greenhouse gas emissions per unit of generation	CO ₂ equivalent kg/MWh	581	599	616
Land and material management				
Land used in mining activities	hectares	0	0	0
Land used by plants, offices and equipment	hectares	10	10	10
Non-hazardous waste disposed	tonnes	20	20	20
Hazardous waste disposed	tonnes	0	0	0
Paper used	tonnes	2	4	5
Paper recycled	tonnes	0	0	0
Water				
Total water intake	m ³	171,000	117,000	182,000
Total water released	m ³	0	0	35,000
Water consumption	m ³	171,000	117,000	147,000
Water consumption per unit of generation	m ³ /MWh	0.11	0.08	0.11
Regulatory performance				
Stack regulatory contraventions	#	0	0	0
General air regulatory contraventions	#	0	1	0
Spills to land regulatory contraventions	#	2	0	0
Spills to water regulatory contraventions	#	0	0	0
Other regulatory contraventions ¹	#	0	0	0
Environmental enforcement actions ²	#	0	0	0

Australian statistics (cont'd)

Economic performance	units	2001	2000	1999
Coal generation net capacity	MW	0	0	0
Natural gas generation net capacity	MW	270	270	263
Hydro generation net capacity	MW	0	0	0
Total	MW	270	270	263
Coal net generation	MWh	0	0	0
Natural gas net generation	MWh	1,528,000	1,430,000	1,285,000
Hydro net generation	MWh	0	0	0
Total generation	MWh	1,528,000	1,430,000	1,285,000
Capital expenditures on environmental monitoring and pollution abatement ⁵	Cdn \$	\$ –	not reported	not reported
Operations and maintenance (O&M) expenditures on environmental monitoring and pollution abatement	Cdn \$	\$ 90,000	not reported	not reported
Social Performance	units	2001	2000	1999
Health and safety (H&S)				
Health regulatory contraventions	#	0	0	0
Safety regulatory contraventions	#	0	0	0
H&S enforcement actions	#	0	0	0
Full-time (FT) and FT equivalent employees ⁸	#	52	63	39
EH&S FT equivalent employees ⁹	#	0	0	not reported
Total number of injuries	#	0	2	1
Number of injuries requiring absence from work ¹¹	#	0	0	1
Recordable injury frequency rate ¹⁰	per 200,000 exp. hrs	0	1.56	1.11
Disabling injury frequency rate	per 200,000 exp. hrs	0	0	1.11
Short-term disability rate ¹²	days/1000 employees	0	0	0
Long-term disability rate ¹³	#/1000 employees	0	0	0
Reportable vehicle incidents	#	0	6	0
H&S training per employee	hours/employee	not reported	4	9
Environmental training per employee	hours/employee	not reported	not reported	not reported
Community relations				
Community investments ¹⁴	Cdn \$	not reported	\$ 5,000	\$ 4,000
Community investments per employee	Cdn \$/employee	not reported	\$ 100	\$ 80
Volunteer hours per employee ¹⁵	hours/employee	not reported	not reported	not reported

Please see discussion and notes section for explanation.

Mexico statistics

Environmental performance	units	2001	2000
Environmental management			
Environmental compliance audits	#	0	0
Environmental management audits	#	0	0
Air			
SO ₂ emissions	tonnes	0	0
SO ₂ emissions per unit of generation	kg/MWh	0	0
NO _x emissions	tonnes	0	0
NO _x emissions per unit of generation	kg/MWh	0	0
Particulate emissions	tonnes	0	0
Particulate emissions per unit of generation	kg/MWh	0	0
CO ₂ emissions	CO ₂ equivalent tonnes	0	0
Methane emissions	CO ₂ equivalent tonnes	0	0
NO _x emissions	CO ₂ equivalent tonnes	0	0
CFC-11 emissions	CO ₂ equivalent tonnes	0	0
Greenhouse gas gross emissions ³	CO ₂ equivalent tonnes	0	0
Greenhouse gas reductions ⁴	CO ₂ equivalent tonnes	0	0
Greenhouse gas net emissions	CO ₂ equivalent tonnes	0	0
Greenhouse gas emissions per unit of generation	CO ₂ equivalent kg/MWh	0	0
Land and material management			
Land used in mining activities	hectares	0	0
Land used by plants, offices and equipment	hectares	not reported	not reported
Non-hazardous waste disposed	tonnes	not reported	not reported
Hazardous waste disposed	tonnes	not reported	not reported
Paper used	tonnes	not reported	not reported
Paper recycled	tonnes	not reported	not reported
Water			
Total water intake	m ³	0	0
Total water released	m ³	0	0
Water consumption	m ³	0	0
Water consumption per unit of generation	m ³ /MWh	0	0
Regulatory performance			
Stack regulatory contraventions	#	0	0
General air regulatory contraventions	#	0	0
Spills to land regulatory contraventions	#	0	0
Spills to water regulatory contraventions	#	0	0
Other regulatory contraventions ¹	#	0	0
Environmental enforcement actions ²	#	0	0
Economic performance			
	units	2001	2000
Coal generation net capacity	MW	0	0
Natural gas generation net capacity	MW	0	0
Hydro generation net capacity	MW	0	0
Total	MW	0	0
Coal net generation	MWh	0	0
Natural gas net generation	MWh	0	0
Hydro net generation	MWh	0	0
Total generation	MWh	0	0
Capital expenditures on environmental monitoring and pollution abatement ⁵	Cdn \$	\$ –	0
Operations and maintenance (O&M) expenditures on environmental monitoring and pollution abatement	Cdn \$	\$ –	0

Mexico statistic (cont'd)

Social performance	units	2001	2000
Health and safety (H&S)			
Health regulatory contraventions	#	0	0
Safety regulatory contraventions	#	0	0
H&S enforcement actions	#	0	0
Full-time (FT) and FT equivalent employees ⁸	#	15	6
EH&S FT equivalent employees ⁹	#	0	0
Total number of injuries	#	0	0
Number of injuries requiring absence from work ¹¹	#	0	0
Recordable injury frequency rate ¹⁰	per 200,000 exp. hrs	0	0
Disabling injury frequency rate	per 200,000 exp. hrs	0	0
Short-term disability rate ¹²	days/1000 employees	0	0
Long-term disability rate ¹³	#/1000 employees	0	0
Reportable vehicle incidents	#	0	0
H&S training per employee	hours/employee	not reported	not reported
Environmental training per employee	hours/employee	not reported	not reported
Community relations			
Community investments ¹⁴	Cdn \$	not reported	not reported
Community investments per employee	Cdn \$/employee	not reported	not reported
Company-initiated volunteer hours per employee ¹⁵	hours/employee	not reported	not reported

Please see discussion and notes section for explanation.

NOTES ON STATISTICAL SUMMARY

1. Other regulatory contraventions: These are incidents that require reporting to an external regulating agency that are not air, water, land, or stack incidents. Incidents in this category include equipment failures and permit non-compliance.

2. Environmental enforcement actions: These are contraventions that have been reported to an external regulating agency resulted in some fine, penalty, or corrective actions as directed by the regulator.

3. Greenhouse gas emissions: In keeping with the reporting format recommended by the World Business Council for Sustainable Development / World Resources Institute "Greenhouse Gas Protocol", the impact of each greenhouse gas is reported separately. Gases have been converted into equivalent tonnes of CO₂, using the global warming potentials outlined by the Intergovernmental Panel on Climate Change. As a result of this new format, historical corporate emission intensities and emission totals have been revised to correct emission factors used for Australian activities.

4. Greenhouse gas emission reduction activities:

The Canadian net emission rate is a result of our reduction initiatives in Canada and purchased offsets from projects world wide. For more information, please see the VCR section of this report.

The U.S. net emission rate is only result of reductions from the Centralia plant's fly ash sales. Gas-fired generation at Binghamton and Pierce Power do not have a lower emission rate than the grid average therefore TransAlta claims no offsets from the operation of those facilities because they do not displace more carbon intensive power from the grid.

TransAlta claims no offsets from the operation of Australian facilities because there is no recognized Australian methodology for calculating potential offsets from independent power plants and these facilities do not displace more carbon intensive generation from the grid.

5. Capital expenditures and operations and maintenance expenditures for environmental monitoring and pollution abatement: 2001 expenditures for coal-fired facilities are estimated based on previous year expenditures.

6. Performance stock option shares: This is one of three stock-based compensation programs offered to employees of the company. TransAlta grants stock options to employees based on the market price of the shares as determined on the date of the grant.

7. Employee future benefits: This includes TransAlta's registered pension plan with defined benefits and defined contribution options and a supplemental defined benefits plan. All employees have a future benefits plan, although the defined benefit of the pension plan ceased for new employees on June 30, 1998.

8. Full-time equivalent employees: All TransAlta employees on December 31, 2001. Each non-full-time employee (such as part-time, contract or hourly) is the calculated equivalent of 0.70 fulltime.

9. Environment, health & safety (EH&S) staff: In 2001, TransAlta undertook a comprehensive assessment of EH&S staffing resources. This was part of a corporate-wide initiative to control costs. Values for 2000 reported in last year's annual report were underestimated and therefore have been restated.

- 10.** Injury frequency rate: The Canadian and U.S. injury frequency rates and total number of injuries for 2000 have been reconciled to the corporate number. This adjustment was due to a copy error.
- 11.** Number of injuries requiring absence from work: These work-related incidents are a greater severity than medical aid incidents and result in time away from work. The injury frequency rate is based on both lost time incidents and medical aid incidents and the injury severity rate is based on the number of lost time incidents only. This is the first year that lost time incidents and injury severity rate data has been presented.
- 12.** Short-term disability rate: In 2000, the number of days lost to short-term disability was not tracked at Centralia mine and therefore not included in aggregated totals. In 2001, the number of days lost at Centralia mine due to short-term disability was tracked and included in the indicator and is one reason for the resulting rate increase.
- 13.** Long-term disability rate: This reflects the number of employees that have been absent from work for greater than three months. Absence may be due to work-related incidents or injuries incurred outside of work. This is the first year this data has been presented.
- 14.** Community investments include all community donations and community sponsorships and are aggregated based on budget allocation, not location of recipient.
- 15.** Company initiated volunteer hours per employee: This includes volunteer activities organized by TransAlta, such as volunteering during work hours as a part of the United Way campaign. Volunteer activities that employees engage independent of their employment at TransAlta are not included.

Corporate Governance TransAlta's directors are experienced business leaders representing varied geographic and professional backgrounds including finance, business, law and public service. On behalf of TransAlta's shareholders, the Board of Directors is responsible for the stewardship of the corporation, establishing overall policies and standards and reviewing strategic plans. During 2001, the directors met on 13 occasions including one special meeting devoted exclusively to TransAlta's corporate strategy and direction. Eleven of the 12 board members are independent of management. The board has established three permanent committees for the continuous review of the principal risks to the corporation and to monitor the systems for managing these risks. All committee members are independent of management.

Audit and Environment Committee The committee is responsible for reviewing and inquiring into matters affecting financial reporting, risks inherent in the business and environmental regulation affecting the corporation's activities. This committee met 11 times in 2001. Committee Chair: J.S. Lane. Members: S.J. Bright, R.S. Deane, J.T. Ferguson, C. Hampson and D.S. Kaufman.

Human Resources Committee The committee is responsible for reviewing and recommending executive compensation programs, succession plans and acting as steward for the corporate pension plan. This committee met nine times in 2001. Committee Chair: C.H. Hantho. Members: J.C. Donald, J.T. Ferguson, L.D. Hyndman and R.A. Thrall, Jr.

Nominating and Corporate Governance Committee The committee is responsible for reviewing the composition and compensation of the Board of Directors and for developing the company's approach to governance issues. This committee met four times in 2001. Committee Chair: D.S. Kaufman. Members: J.T. Ferguson, C.H. Hantho, L.D. Hyndman and J.S. Lane.

2002/2001 Changes Luis Vázquez Senties was appointed to the Board of Directors in December 2001. Rodger D. Conner, Lonnie S. Enns, William D.A. Bridge and Cynthia Johnston were appointed officers of TransAlta Corporation in 2001. E.J. Osler, R.C.P. Westbury, G.D. Lyons, R.M. Gollmer, S. Thon and P. Korth resigned as officers of TransAlta Corporation in 2001. L.K. Chambers and B.P. Clewes also resigned as officers of TransAlta Corporation in 2001 to accept the positions of President, TransAlta Centralia Generation L.L.C. and Vice-President, Western Centralia Operations respectively. M.A. Nelson, an officer of TransAlta Corporation, left in 2002.

TRANSALTA CORPORATION OFFICERS

John T. Ferguson Chair of the Board	James W. Kemp Executive Vice-President, Generation	Lonnie S. Enns Vice-President, Energy Marketing & Trading	Greg P. Reinhart Vice-President, Generation Human Resources
Stephen G. Snyder President & Chief Executive Officer	Ken S. Stickland Executive Vice-President, Legal	Cynthia Johnston Vice-President, Operations	Marvin J. Waiand Vice-President & Treasurer
Ian A. Bourne Executive Vice-President & Chief Financial Officer	Robert D. Boguski Vice-President, Supply Chain Management	Richard P. Langhammer Vice-President, Plant Operations	Brian Walls Vice-President, Commercial Management
James F. Dinning Executive Vice-President, Sustainable Development & External Relations	William D.A. Bridge Vice-President, Development	Matthew J. Moorman Vice-President, Project Management	Richard W. Way Vice-President, Regulatory & Environmental
Dawn L. Farrell Executive Vice-President, Corporate Development	Alister Cowan Vice-President & Comptroller	Robert J.D. Page Vice-President, Sustainable Development	Rodger D. Conner Corporate Secretary Frank Hawkins Assistant Treasurer



Stanley J. Bright Director since 1999 and resident of Vero Beach, FL. He is a director of MidAmerican Energy Holdings Company. Mr. Bright was formerly chairman and CEO of MidAmerican Energy Company, a unit of Holdings.



Roderick S. Deane Director since May 2000 and resident of Wellington, New Zealand. He is chairman of Telecom Corp. of New Zealand Ltd., Fletcher Building Ltd., Te Papa Tongarewa (Museum of New Zealand), and ANZ Banking Group Ltd. (New Zealand). Dr. Deane is a director of the ANZ Banking Group Ltd. (Melbourne) and Woolworths Ltd. (Sydney). He is also a Professor of Economics and Management at Victoria University (Wellington). Dr. Deane was previously chief executive of the Electricity Corp. of New Zealand Ltd.



Jack C. Donald Director since 1993 and resident of Red Deer, AB. He is the founder and board chairman of Parkland Industries Ltd. Mr. Donald is also vice-president and director of Brandt Industries Ltd., chairman and director of the Canadian Western Bank and Canadian Western Trust, and a director of Ensign Resource Services Group. He also serves as a public member on the Council of the Institute of Chartered Accountants of Alberta.



John T. Ferguson Director since 1981 and resident of Edmonton, AB. He was appointed chair of TransAlta Corporation in 1998. He is chairman, founder and director of Princeton Developments Ltd. Mr. Ferguson is also a director of the Royal Bank of Canada, Suncor Energy Inc., the C.D. Howe Institute, the Canadian Institute for Advanced Research, and a member of the World Presidents' Organization. Mr. Ferguson is also chancellor of the University of Alberta.



Christopher Hampson Director since 1994 and resident of London, England. He is chairman of RMC Group plc. and British Biotech plc. Mr. Hampson is also a non-executive director of the Lattice Group plc., the SNC-Lavalin Group Inc. and vice-president of the Combined Heat and Power Association in England. Mr. Hampson is former chairman of Yorkshire Electricity Group plc. and a former director of Imperial Chemical Industries plc.



Charles H. Hantho Director since 1992 and resident of Toronto, ON. He is chairman of Dofasco Inc., Camco Inc. and Hamilton Utilities Corp. Mr. Hantho is also a director of Inco Limited and Telemedia Corp. He is a member of the Order of Canada.



Louis D. Hyndman Director since 1986 and resident of Edmonton, AB. He is a senior partner of the law firm Field Atkinson Perraton. Mr. Hyndman is a director of Enbridge Inc., Melcor Developments and TD Meloche Monnex Inc. He held several ministerial appointments before serving as Provincial Treasurer of Alberta from 1979 to 1986. Mr. Hyndman is a member of the Order of Canada and a trustee of the Alberta Heritage Foundation for Medical Research.



Donna Soble Kaufman Director since 1989 and resident of Toronto, ON. She was formerly chairman and CEO of Selkirk Communications Ltd. and a former partner of the law firm Stikeman, Elliott. She is a director of BCE Inc., Bell Canada International Inc., Bell Globemedia Inc., Hudson's Bay Co., Public Sector Pension Investment Board, UPM – Kymmene Corp. and HISTOR!CA. Mrs. Kaufman is a governor of the Council for Canadian Unity and of the Baycrest Centre for Geriatric Care.



John S. Lane Director since 1993 and resident of Toronto, ON. He is a director of AFP Cuprum S.A., McLean Budden and the Teachers' Pension Plan Board of Ontario. Mr. Lane was formerly senior vice-president, Investments, Sun Life Assurance Company of Canada.



Stephen G. Snyder Director since 1996 and resident of Calgary, AB. He is president and CEO of TransAlta Corporation and a member of the Board of Directors of CIBC, vice-chair of the Conference Board of Canada and chair of the Canadian Electrical Association. Mr. Snyder is past chair of the 2001 Calgary United Way Campaign.



Ralph A. Thrall, Jr. Director since 1981 and resident of Lethbridge, AB. He is president of McIntyre Ranching Co. Ltd. and chair of Biosphere Refineries Corp. Mr. Thrall is also a member of the Kainai Chieftainship and the Board of Regents of Augustana University College.



Luis Vázquez Senties Director since 2001 and resident of Mexico City, Mexico. He is president and CEO of Group Diavaz that he founded with partners in 1973. Mr. Vázquez is also the director general of Compañía Mexicana de Gas (a joint initiative of Texas Utilities and Group Diavaz). He serves as a director of a number of the Group Diavaz companies and was previously president of the Natural Gas Mexican Association. Mr. Vázquez is a member of the American Gas Association's Administration Board and the Board of Directors of AMEE (Asociación Mexicana para la Economía Energética).



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