

Sustainability Targets and Results

Sustainability targets are strategic goals that support the long-term success of our business. Targets are set in line with business unit goals to manage key areas of concern for stakeholders and ultimately improve our environmental and social performance in these areas.

2016 Sustainability Targets			
	Financial	Results	Comments
1. Maintain our investment grade rating	Achieve and maintain investment grade credit metrics	Partly achieved	TransAlta maintains investment grade ratings from three rating agencies: S&P (BBB-) stable, DBRS (BBB) negative outlook, and Fitch (BBB-) negative outlook. On Dec. 17, 2015, Moody's reduced our rating to Ba1
2. Increase focus on FFO and EBITDA	TransAlta targeted comparable EBITDA and comparable FFO for 2016 in the range of \$990 million to \$1,100 million and \$755 million to \$835 million respectively	Achieved	For the year ended Dec. 31, 2016, comparable EBITDA was \$1,145 million and comparable FFO was reported at \$763 million. Comparable EBITDA includes the reversal of provisions relating to the Keephills 1 force majeure event in the amount of \$80 million
	Power Generating Portfolio	Results	Comments
3. Grow asset portfolio	Deliver an average of \$40 million to \$60 million of additional EBITDA from growth projects	On track	In 2016, we continued to exercise prudence and discipline in growing our cash flow. The wind and solar projects acquired in late 2015 contributed approximately \$25 million of comparable EBITDA in 2016. We continue to advance the construction of the South Hedland power project, on budget and on time. This project is expected to be commissioned by mid-2017 and add approximately \$80 million of incremental annualized EBITDA
4. Achieve top-quartile performance in Canadian Coal	Continue to deliver 87 to 89 per cent availability in the segment	Not achieved	We achieved availability in 2016 of 85.3 per cent, compared to 84.3 per cent in 2015, lower than our targeted availability of at least 87 per cent. Our high level of contracted generation and hedging strategy mitigated lower power prices in Alberta. We continue to drive towards our targets

	Human and Intellectual	Results	Comments
5. Reduce safety incidents	Achieve an Injury Frequency Rate below 0.70	Not achieved	IFR was 0.85 in 2016, up from 0.75 in 2015. We will continue to seek improvement in this area through deployment of additional targeted initiatives in 2017
6. Human Resources	a) Maintain voluntary turnover percentage under eight per cent	Achieved	Voluntary turnover was 6.7 per cent in 2016
	b) Achieve 100 per cent completion of development plans for all high-potential employees at the top three levels of the organization	Achieved	
	c) Complete the final three stages of our globally recognized leadership development project to ensure TransAlta's top three levels of leaders have the tools to successfully reposition and grow our business	Partly achieved	Final stages to be completed in Q1 2017
	Natural	Results	Comments
7. Minimize fleet-wide environmental incidents	Keep recorded incidents (including spills and air infractions) below 13	Not achieved	We recorded 16 reportable environmental incidents in 2016, none of which had a material environmental impact
8. Increase mine reclaimed acreage	Replace annual topsoil rate at Highvale mine at a rate of 74 acres/year	Partly achieved	Replaced topsoil on 38 acres in 2016. A warmer winter and early spring limited our ability to transport topsoil for placement without adversely impacting the ground surface (the preference is to drive on frozen soil)
9. Utilize coal byproduct	Sell a minimum of two million tonnes of coal byproduct materials during the period 2015 to 2017	On track	70 per cent achieved (long-term target)
10. Reduce air emissions	95 per cent reduction from 2005 levels of TransAlta coal facility NO _x and SO ₂ emissions by 2030	On track	We reduced levels of NO _x and SO ₂ in 2016 and remain on track to realize these emission reductions by 2030
11. Reduce greenhouse gas emissions	a) 20 per cent reduction from 2005 levels of TransAlta coal facility GHG by 2021, or the equivalent of 7 million tonnes, of CO ₂ e per year	On track	We reduced GHG emissions in 2016, primarily as a result of lower coal production, and we remain on track to realize emission reductions by 2021/2030
	b) 55 per cent reduction from 2005 levels by 2030, or the equivalent of 19.7 million tonnes, of CO ₂ e per year.	On track	

	Social and Relationship Capital	Results	Comments
12. Combine stakeholder engagement	Implement final Stakeholder Engagement Framework. In 2016, every business unit will use a single framework for stakeholder guidance	Achieved	A corporate-wide framework was implemented and we introduced our Stakeholder and Aboriginal Relations ("STAR") tracking program. STAR is a communication record-keeping tool and fulfils our requirements for consultation with both stakeholders and aboriginal groups
13. Support youth education with community investment	50 per cent of total community investment spending will be directed to supporting youth education	Partly achieved	In 2016 we spent approximately \$0.75 million out of \$2.5 million (30 per cent) on youth education. Funds were directed to the University of Calgary, University of Alberta, Southern Alberta Institute of Technology, Mount Royal University, The Banff Centre (indigenous leadership scholarships), Mother Earth's Children's Charter School (indigenous kindergarten to grade 9), Calgary Stampede (the Young Canadians - ages 7 to 18) and national Canada and U.S. indigenous scholarships (post-secondary for trades and academic)
14. Increase internal best practice aboriginal engagement awareness	Work with our aboriginal communities to develop an online best practice guide for employees on working with and engaging with aboriginal communities	Achieved	With the help of the First Nations groups and voices of those communities, we produced an Indigenous Awareness Training handbook for all our employees. This achievement is in line with a commitment to support the United Nations Sustainable Development Goals, specifically, goal 10: reduced inequalities