

2018 Sustainability Performance

Stakeholder Communication and Value Creation

The information in this section seeks to highlight our ability to create value for investors, stakeholders and society in the short, medium and long term. The selection of key information and key metrics disclosed in this integrated report and our full sustainability disclosures follow a materiality assessment process, which identifies key impact areas to our stakeholders. We subsequently are guided by, and place focus on, reporting on these key areas.

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.

2018 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 out of four rating agencies: S&P (BBB-) negative outlook, DBRS (BBB low) stable outlook, and Fitch (BBB-) stable outlook.
2. Increase focus on FFO and EBITDA	Deliver comparable EBITDA and FFO in the range of \$1,000 million to \$1,050 million and \$750 million to \$800 million, respectively ⁽¹⁾	Achieved	For the year ended Dec. 31, 2018, adjusted comparable EBITDA was \$988 million and adjusted FFO was \$770 million. Comparable EBITDA was adjusted to remove the impact of unrealized mark-to-market gains or losses. Additionally, Comparable EBITDA and FFO were adjusted to remove the \$157 million for the termination of Sundance B and C PPAs as this was not included in the targets.

(1) Represents our revised outlook. As a result of strong performance in the first quarter of 2018, we revised the following 2018 targets: comparable EBITDA from the previously announced target range of \$950 million to \$1,050 million to \$1,000 to \$1,050 million, and FFO from the target range of \$725 million to \$800 million to \$750 million to \$800 million.

	Human and Intellectual	Results	Comments
3. Reduce safety incidents	Achieve an Injury Frequency Rate below 0.53	Mostly Achieved	Although we narrowly missed our target, we achieved one of our lowest IFRs in our history. Our 2018 IFR was 0.54, a 25 per cent improvement over 2017 performance
	Achieve a Total Incident Frequency rate below 2.83	Achieved	Our 2018 TIF was 1.98, a 25 per cent improvement over 2017 performance
4. Human resources	Maintain voluntary turnover percentage under eight per cent	Not achieved	Our voluntary turnover in 2018 was 20 per cent. We seek to maintain voluntary turnover or attrition under eight per cent as this is considered a healthy amount of attrition for a corporation. As we transition away from coal-fired generation and its associated jobs we face significant workforce challenges with retention
5. Support employee development	Continue development plans for all high-potential employees at the top three levels of the organization	Achieved	In 2018, we completed a six-month (peer-led) leadership training program, called Elevate, for our high-potential employees at the top three levels of the organization. The program was focused on establishing a learner's mindset, building trust and influence, strengths-based leadership, being transparent, providing feedback, collaboration as a team and innovation

	Natural	Results	Comments
6. Minimize fleet-wide environmental incidents	Keep recorded incidents (including spills and air infractions) below 9	Achieved	We recorded seven significant environmental incidents in 2018, none of which had a material environmental impact. This was below our target of nine, but was a 40 per cent increase over 2017 performance
7. Increase mine reclaimed acreage	Replace annual topsoil rate at Highvale mine at a rate of 74 acres/year	Not achieved	Due to weather conditions, not all topsoil was placed to fully meet our target. Top Soil is the last stage of reclamation, despite weather constraints, we did manage to complete 28 acres. Instead, we reallocated resources to other stages of reclamation to move other areas closer to final reclamation (such as ground leveling). Overall we reduced reclamation spend by \$2.1 million and maintained progress towards our long-range reclamation plan
9. Reduce air emissions	Achieve a 95 per cent reduction from 2005 levels of TransAlta coal facility NO _x and SO ₂ emissions by 2030	On track	We are well underway and on track to achieve our target of 95 per cent emission reductions of SO ₂ and NO _x by 2030. Since 2005, we have reduced NO _x emissions by 58 per cent and SO ₂ emissions by 72 per cent. In 2018 we reduced approximately 16,000 tonnes of NO _x emissions and 17,000 tonnes of SO ₂ emissions over 2017 levels
10. Reduce GHG emissions	a) Our goal is to reduce our total GHG emissions in 2021 to 30 per cent below 2015 levels, in line with a commitment to the UN SDGs	Achieved	We achieved this target in 2018, well ahead of our target for 2021. In 2018 we reduced approximately 9.1 million tonnes of CO ₂ e over 2017 levels due to reduced coal power generation from our Sundance facility and co-firing at our merchant coal facilities
	b) Our goal is to reduce our total GHG emissions in 2030 to 60 per cent below 2015 levels, in line with a commitment to the UN SDGs and to prevent two degrees Celsius of global warming	On track	We are well underway and on track to achieve our target of 60 per cent GHG emission reductions by 2030. Since 2015, we have reduced emissions by 36 per cent. In 2018 we reduced approximately 9.1 million tonnes of CO ₂ e over 2017 levels

	Social and Relationship	Results	Comments
11. Support quality education for youth	Support equal access to all levels of education for youth and Indigenous peoples	Achieved	TransAlta provides an Aboriginal bursary to support education for Indigenous peoples that includes bursaries for both trades and post-secondary. TransAlta's criteria for accessing the bursary are open to any educational pursuit that will support the well being of Indigenous peoples and communities. The bursary is open to all Indigenous applicants that have completed high school. TransAlta has also created a Indigenous Gap program with SAIT to give support to Indigenous students where it is needed.
<i>Our education goal and targets support UN SDG Goal 4: Quality Education related to ensuring "inclusive and equitable quality education" and related to "eliminating gender disparities in education"</i>	Direct approximately \$0.75 million of community investment spending to youth education	Achieved	Our community investments have supported the University of Calgary, Southern and Northern Alberta Institute of Technology, Mount Royal University, Banff Centre for Arts and Creativity (Indigenous leadership scholarships), Mother Earth Children's Charter School (Indigenous kindergarten to Grade 9), Calgary Stampede (The Young Canadians - ages 7 to 18), national Canada and US Indigenous scholarships (post-secondary for trades and academic) and the Alberta Council for Environmental Education
12. Increase internal best practice Aboriginal engagement awareness	Develop sustainability and Indigenous engagement materials for integration within our developmental leadership programs at TransAlta	Achieved	An Indigenous Awareness presentation was developed, that includes historical facts and basic concepts around consultation and engagement, which will be shared with all employees. The same presentation will be used at the Schulich School of Engineering at the University of Calgary in 2018 for one of their ethics courses

	Comprehensive	Results	Comments
13. TransAlta will be a leading clean power company by 2030	By 2022, we will convert six coal plant units from coal-fired generation to gas-fired generation	On track	In 2018 we exercised our option to acquire a 50 per cent ownership in the Pioneer Pipeline connecting Tidewater's Brazeau River Complex to TransAlta's generating units at Sundance and Keephills. Our investment is subject to regulatory approval
<i>Our clean power goal and targets support the UN SDG Goal 7: Affordable and Clean Energy related to ensuring "access to affordable, reliable, sustainable and modern energy"</i>	By 2025, 100 per cent of our owned asset company-wide net generation capacity will be from gas and renewables	On track	We continued our coal-to-gas transition plans in 2018, while announcing new renewable energy growth projects. Please see above and below for more detail.
	We will continue to seek new opportunities to grow our portfolio of 2,265 MW wind, hydro and solar assets	Achieved	In 2018 we announced development of three wind development projects, totaling over 320 MW of additional renewable energy capacity. Projects include a 90 MW wind facility in Pennsylvania (US), a 29 MW wind facility in New Hampshire (US) and a 207 MW wind facility in Alberta (Canada)
	Continue to explore viability of the Brazeau 900 MW pumped hydro expansion - doubling our hydro capacity in Alberta	Not achieved	In May 2018, the AESO released a report stating that dispatchable renewable resources are not needed in the Alberta market before 2030. The value and benefit of the Brazeau Hydro Pumped Storage project would be well beyond the 2030 period. The Corporation still believes that generation from pumped storage should be part of future calls for power under the <i>Alberta Renewable Electricity Program</i> . The Corporation is not spending additional development dollars on the project at this time, but will continue to work with governments to find the appropriate financial mechanisms for bringing low-cost, green, dispatchable renewables into the market to support low prices and emissions for Alberta customers