

In Australia, employees can nominate a superannuation fund for superannuation contributions. The Australian superannuation scheme is compulsory for employers with contributions required at a rate set by the government.

#### **Other Employee Benefit Programs**

TransAlta provides competitive benefit programs for most of our employees (options are dependent on the countries in which we operate). We also provide benefit programs based on negotiated union agreements in some locations.

Our flexible benefits plans provide employees and their families with choices of coverage including, among others, extended health, dental, vision, life insurance, critical illness, accident, disability and a health spending account.

We provide other health and dental benefits for disabled members and retired members, typically up to the age of 65. The Canadian retiree benefits plan was closed for all new hired employees as of Mar. 1, 2017.

#### **Talent and Employee Development**

Talent and employee development is viewed as a key pillar of organizational health. Investing in our employee development enhances employees' skills and improves productivity and engagement. This contributes to a strong corporate culture that provides value for TransAlta.

In 2019, we launched our Leadership Development Program. This program provides 143 leaders or future leaders with fundamental leadership skills and tools. Training programs focused on a variety of leadership competencies for leaders with various years of management experience. All leaders in Canada also completed mandatory Violence in the Workplace training.

In addition, in 2019 we developed and launched our Operations Manager Development Program. This is an internally designed program to develop future plant managers and operations leaders by providing on-the-job experience and structured learning activities within multiple business units across the organization. Participants learn through an 18-month program of rotational assignments in various operational facilities (Coal, Gas, Wind and Hydro) as well as through Corporate business units (Asset Management, Commercial, Energy Trading & Marketing, Finance, Human Resources, Indigenous & Stakeholder Relations, Growth and Supply Chain). In 2019, we had seven participants in this program.

We also continued to offer our existing internal programs to employees across the organization. This includes our Elevate Program, a six-month peer-led leadership training program. This program first launched in 2017, and in 2019, we had 100 participants. Since the launch of this program, 215 leaders and future leaders have participated.

Another internal program that we continue to offer is Execution Engine. This program was designed to build capacity for our people to create an organization that is both efficient and adaptive. The training program was built on research regarding what is needed for our people to help drive and sustain change. To date, approximately 850 employees have taken this course. In December 2019, we also launched an internal leadership library that is updated monthly and gives all employees access to articles about leadership development.

## **Social and Relationship Capital**

We strive to create shared value for our stakeholders through social and relationship value creation at TransAlta. The most material impacts on our social and relationship performance are public health and safety, anti-competitive behaviour and fostering positive relationships with Indigenous neighbours, communities, stakeholders, governments, industry and landowners in the areas where we operate.

#### **Indigenous Relationships and Partnerships**

At TransAlta, we value our relationships and partnerships with stakeholders and our Indigenous neighbours. Our Indigenous Relations team focuses on community engagement, employment, economic development and community investment. We ensure that TransAlta's principles for engagement are upheld and that the Corporation fulfills its commitments to Indigenous communities. Efforts are focused on building and maintaining solid relationships and establishing strong communication channels that enable TransAlta to share information regarding operations and growth initiatives, gather feedback to inform project planning and understand priorities and interests from communities to better address concerns.

Methods of engagement include:

- Relationship building through regular communication and in-person meetings with representatives at various levels within Indigenous community organizations;
- Hosting company-community activities that share both business information and cultural lessons;
- Maintaining consistent communications with each community and following appropriate community protocols and procedures;
- Participating in community events such as powwows and blessing ceremonies; and
- Providing both monetary and in-kind sponsorships for community initiatives.

TransAlta is proactive with initiating engagement early on in project development to allow concerns to be identified promptly and addressed, minimizing potential project delays. We conduct consultation primarily during project development and decommissioning and maintain engaged communication throughout the operation phase. We work with communities to build a relationship with a foundation of ongoing communication and mutual respect.

In 2019, TransAlta partnered with Indspire, Canada's national Indigenous registered charity, and we were able to award 14 bursaries of \$3,000 each. The Indigenous recipients were from the following communities: Aamjiwnaang First Nation, Blood Tribe, Ermineskin Cree Nation, Paul First Nation, Piikani Nation, Samson Cree Nation, Simpcw First Nation, Squamish Nation, Sunchild First Nation and Tsuut'ina Nation.

We currently hold a silver-level standing with the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations ("PAR"). Certification occurs every three years and is a comprehensive, third-party audit conducted by PAR verifiers. To support this initiative, TransAlta introduced an internal practice and knowledge centre that provides employees with resources and information to support the advancement of Indigenous relations at TransAlta.

In 2020, TransAlta continues to support Indigenous access to education through our Indigenous funding program with the Southern Alberta Institute of Technology (SAIT). TransAlta recognized a gap in federal and provincial funding for academic upgrading, which could contribute to a barrier for many Indigenous students. This program provides the critical financial support to aspiring Indigenous students applying to SAIT who require high school upgrading in order to qualify for a trade program.

In 2019, we also supported an Indigenous Leadership Program at the Banff Centre for Arts and Creativity. Approximately 300 Indigenous leaders from over 120 communities attended the leadership programs with help from TransAlta and other supporters.

Over the past five years, TransAlta's support has provided 45 bursaries for members of Indigenous communities to attend programs and share what they have learned with their communities. Participants have come from communities across Alberta and British Columbia including Alexis Nakota Sioux Nation, Bearspaw First Nation, Chiniki First Nation, Enoch Cree Nation, Ermineskin Cree Nation, Fort McKay First Nation, Blood Tribe, Montana First Nation, Paul First Nation, Piikani Nation, Samson Cree Nation, Siksika Nation, Squamish Nation, Tsuut'ina Nation and Wesley First Nation.

### **Public Health and Safety**

We seek to preserve public health and safety. It is our goal to maintain security for our employees and the peoples and communities where we operate.

We specifically look to minimize the following risks:

- Harm to people;
- Damage to property;
- Operational liability; and
- Loss of organizational reputation and integrity.

We work to prevent incidents and lower our risk by administering controls such as restricting physical access around and into our operating sites. The TransAlta Corporate Emergency Management program is in place to prepare employees for an emergency incident. Through this program, emergency preparedness training is implemented across our fleet in an all-hazards approach to public safety and emergency response. Each site also has an Emergency Response Plan and completes on-site drills and exercises specific to the incidents that could occur at each location. Our business continuity plan also helps prevent an interruption to operations. The program has corporate oversight and is supported by the Corporate Emergency Management Team in an emergency situation. The program has executive sponsorship and is focused on the protection of our people, assets, information and reputation.

### Data and Digital Asset Protection

Our digital assets are also something we work hard to protect. Cybersecurity risks can include compromise of data integrity, hacking, social engineering, compromise of operations and infrastructure, credential breaches, attacks through third-party vendors and service providers, attacks involving artificial intelligence and machine learning, and cybersecurity staff turnover. Given the ever-evolving nature of cyber attacks, we are consistently adapting to address threats with a comprehensive cybersecurity program that consists of three pillars: technology, processes and resourcing. Each of these pillars can be reinforced independently to address specific cyber risks and threats. Through this program, TransAlta continually implements proactive controls and safeguards to mitigate the cybersecurity risks and threats posed to the organization.

Refer to the Governance and Risk Management - Cybersecurity Risk section of this MD&A for further details.

### Stakeholder Relationships

Fostering relationships with our stakeholders is important to TransAlta. Driven by our values, we seek to maximize value creation for our stakeholders and TransAlta. We take a proactive approach to building relationships and understanding the impacts our business may have on local stakeholders.

#### *TransAlta Stakeholders*

To act in the best interests of the Corporation and to optimize the balance between financial, environmental and social value for both our stakeholders and TransAlta, we seek to:

- Engage regularly with stakeholders about our operations, growth prospects and future developments;
- Consider feedback and make changes to project designs and plans to resolve and/or accommodate concerns expressed by our stakeholders; and
- Respond in a timely and professional manner to stakeholder inquiries and concerns and work diligently to resolve issues or complaints.

Our stakeholders are identified through stakeholder mapping exercises conducted for each facility and prospective project development or acquisition. Through decades of stakeholder relations in the areas of our facilities, we have developed a strong understanding of who our stakeholders are and have gained understanding of our stakeholders' issues and concerns.

Our principal stakeholder groups are listed in the following table.

#### **TransAlta Stakeholders**

Non-governmental organizations (NGOs)	Community Associations and Organizations	Connecting Transmission Facility Operators
Regulators	Industry Organizations	Communities
Charitable Organizations/Non-profit	Standards Organizations	Retirees
All Levels of Government	Media	Residents/Landowners
Suppliers	Business Partners	Investor Organizations
Contractors	Unions/Labour Organizations	Financial Institutions
Government Agencies	Forest Associations/Industry	Mineral Rights Owners
System Operators	Oil & Gas Associations/Industry	Railroad Owners
Customers	Think Tanks	Utility Owners
Municipalities	Academics	PPA Buyers

#### *Engagement Framework*

Our stakeholder engagement framework is modelled after and closely tied to the stakeholder engagement aspect of ISO 14001, which is an internationally recognized environmental management standard. This framework is a streamlined corporate-wide approach to ensure that engagement and relationship-building practices are consistent across TransAlta's locations and types of work. Although we no longer certify under ISO 14001, we continue to operate within its established best practices.

### Methods of Engagement

In order to run our business successfully, we maintain open communication channels with stakeholders. We commit to timely and professional resolution using values-based dialogue. We work internally and with each stakeholder to identify how to mitigate further issues.

Examples of our methods of engagement are listed in the following table.

Information & Communication	Dialogue & Consultation	Relationship Building
Open houses, town halls and public information sessions	In-person meetings with local groups and communities	Community Advisory Bodies
Newsletters, telephone conversations, emails and letters	Meetings with individual stakeholders e.g. landowners and residents	Capacity Agreements
Websites	Targeted audience sessions	Sponsorships and donations
Social media postings	Tours of our facilities and sites	Hosting events

A key focus of our work is to support the business growth through proactive engagement with stakeholders in all of our geographic operating areas in Australia, Canada and the US in order to develop and maintain relationships, assess needs and fit and to seek out collaborative and sustainable value creation opportunities. This helps ensure any stakeholder concerns are identified and can be addressed early in the development process, minimizing project delays. We conduct consultation primarily during project development and decommissioning and maintain engaged communication throughout operations. As an example, we implemented our stakeholder engagement program with stakeholders and Indigenous groups in connection with the proposed repowering at the Sundance and Keephills facilities. We filed our regulatory applications in December 2019, and our stakeholder engagement program will continue for the entire life cycle of the facilities.

### Engagement Tracking and Reporting

Our Stakeholder and Indigenous Relations tracking program functions as an enterprise-wide communication recordkeeping tool, which is managed by our Stakeholder and Indigenous Relations team. This capacity fulfills our requirements for consultation with stakeholders and Indigenous groups alike, and is capable of producing regulatory reports as proof of engagement and consultation efforts. The tool can store email conversations, documents and voicemail messages related to any project, event or issue, and display them in a report format. It can also produce an array of statistical reports showing frequency and volume of engagement based on project, stakeholder, stakeholder group or keywords. This tracking program decreases the time and cost required to submit proof of engagement to government agencies.

### Engagement and Board Communication

The Board believes that it is important to have constructive engagement with its shareholders and other stakeholders and has established means for the shareholders of the Corporation and other stakeholders to communicate with the Board. For example, employees and other stakeholders may communicate with the Board through the Audit, Finance and Risk Committee by writing to the AFRC or by making submissions via the Corporation's toll-free telephone or online Ethic Helpline (see the Governance and Risk Management - Whistleblower System section in this MD&A for more details). Shareholders are also invited to communicate directly with the Board under the Corporation's Shareholder Engagement Policy, which outlines the Corporation's approach to proactive director-shareholder engagement at and in between the Corporation's annual shareholders meetings. Under the Shareholder Engagement Policy, shareholders can submit questions or inquiries to the Board, to which the Corporation will respond. A copy of the Shareholder Engagement Policy is available on our website at [www.transalta.com](http://www.transalta.com). Shareholders and other stakeholders may, at their option, communicate with the Board on an anonymous basis. In addition, the Board has adopted an annual non-binding advisory vote on the Corporation's approach to executive compensation (say-on-pay). The Corporation is committed to ensuring continued good relations and communications with its shareholders and other stakeholders and regularly evaluates its practices in light of any new governance initiatives or developments in order to maintain sound corporate governance practices.

Throughout 2019, representatives of the Board engaged extensively with the Corporation's significant shareholders. Specifically, since Jan. 1, 2019, the Board has met with 15 shareholders representing 42 per cent of the Corporation's total issued and outstanding common shares. In addition, in Sep. 2019, TransAlta held an Investor Day at which we provided detailed information about the Corporation's strategies, plans, operations and past, present and expected performance. The Investor Day afforded shareholders the opportunity to engage with the Corporation's senior management.

## Customers

As one of the largest Alberta electricity generators providing energy services, our team serves businesses with:

- Energy consumption and cost management solutions;
- Market price risk and volume exposure mitigation;
- Sustainability initiatives such as self-generated electricity and environmental attributes (such as carbon offsets); and
- Monitoring of energy market design changes, price signals and applicable and available incentives.

The Customer Solution team at TransAlta has maintained a large portfolio of customers in Alberta across a broad range of industry segments including: commercial real estate, municipal, manufacturing, industrial, hospitality, finance and oil and gas. TransAlta is proud of the service we provide to our customers, which is evidenced by the achievement of over 90 per cent customer retention for the last three years.

We are focused on helping our customers in ways uniquely suited to achieve their sustainability goals. One example is through TransAlta's fleet of on-site cogeneration facilities. Cogeneration is the process of generating electricity and steam simultaneously. When constructed on-site, the construction of additional transmission lines is not required, which avoids disruption to the environment. It also reduces the natural gas required for some industrial processes by using high efficiency steam production rather than boilers. Examples of industrial processes that utilize cogeneration include gas processing, steam-assisted gravity drainage oil sands extraction, chemical manufacturing, and pulp and paper production. Cogeneration is recognized by regulatory bodies for its efficiency in generating power versus traditional methods, and thus can potentially produce Emission Performance Credits that can be used to satisfy our customers' regulatory obligations or sold as additional revenue.

We provide on-site generation for large mining and industrial customers. This requires us to be continually engaged with these customers to ensure that current electricity requirements are provided safely, reliably and cost effectively, but also that their future electricity requirements be satisfied alongside the benefits of lower GHG emissions.

Another way we can contribute to our customers' sustainability goals is through the use of environmental attributes. Environmental attributes that we have the ability to generate, trade, purchase and sell, include: EPCs, Alberta carbon offsets, Renewable Energy Credits ("RECs") and emission offsets. Alberta carbon offsets can be voluntarily generated by Alberta projects, which meet Alberta carbon offset system qualification protocols. Our Alberta wind facilities generate Alberta carbon offset credits. RECs are produced from our renewable energy assets (wind, hydro and solar) and can be traded in voluntary carbon markets or sold to customers. RECs can be used to meet regulatory requirements when a target for renewable energy generation is set by a jurisdiction or can be used to voluntarily 'green' electricity procurement. Emissions offsets are produced from voluntary projects that reduce emissions in sectors of the economy not covered by carbon reduction regulations. The optimization of environmental attributes can be used as a cost-effective way, for the Corporation or our customers, to lower compliance costs attributed to carbon policies or renewable portfolio standards, or utilized to achieve voluntary corporate sustainability or carbon reduction goals.

To learn more, please visit our website at [www.transalta.com/customers](http://www.transalta.com/customers).

## Supply Chain

We continue to seek solutions to advance supply chain sustainability. In 2017, we optimized our global supply chain management operations by implementing a platform that supports increasing supply chain efficiency, reducing lead times, lowering costs and improving supplier performance. As we explore major projects, we assess vendors both at the evaluation stage and as part of information requests on such elements as safe work practices, environmental practices and Indigenous spend. This means, for example, getting information on:

- Estimated value of services that will be procured through local Indigenous businesses;
- Estimated number of local Indigenous persons that will be employed;
- Understanding overall community spend and engagement; and
- Understanding the state of community relations through interview processes and stakeholder work.

In early 2019, the Board of Directors adopted a Supplier Code of Conduct that applies to all vendors and suppliers of TransAlta. Under this code, suppliers of goods and services to TransAlta are required to adhere to our core values, including as it pertains to health and safety, ethical business conduct and environmental leadership. The code also allows suppliers to report ethical or legal concerns via TransAlta's Ethics Helpline.

## Community Investments

In 2019, TransAlta contributed approximately \$2.1 million in donations and sponsorships (2018 - \$2.4 million). One of our significant community investments each year is to United Way campaigns across Canada and the US. This year, TransAlta employees, retirees, contractors and the Corporation raised over \$1.2 million for the United Way.

In 2019, we continued to focus our community investment on priority areas for TransAlta, including environment, education and leadership, health and human services, and arts and culture. Some of our partnerships included:

- Indspire – Through our new partnership with Indspire in 2019, TransAlta was able to almost double the number of bursaries available for Indigenous students through Indspire's matching program. There were 14 bursaries awarded in 2019. Formerly the National Aboriginal Achievement Foundation, Indspire is Canada's national charity for Indigenous education;
- Mother Earth's Children's Charter School - Located in treaty six territory, near Stony Plain, Alberta and our Alberta coal operations, Mother Earth Children's Charter School ("MECCS") has become an important part of TransAlta's community investment program. MECCS offers Kindergarten to Grade 9 and is cited as Canada's first and only Indigenous children's charter school. The school was established in 2003 to help provide Indigenous students with an education based strongly on cultural context rather than a traditional western educational model. Approximately 95 per cent of MECCS students are of Indigenous ancestry, with students coming from Paul First Nation, Enoch Cree Nation, Alexis Nakota Sioux Nation, Alexander First Nation, Alberta Beach, Stony Plain and Edmonton. The student population is diverse and includes Métis, Cree, Nakota Sioux and Stoney. Beginning in 2014, TransAlta has made an annual \$35,000 donation to the school. In addition, each year at Christmas, TransAlta staff purchase Christmas presents for the students. Volunteers from TransAlta travel to the school to deliver the gifts providing both our employees and the students the opportunity to engage with each other;
- The Calgary Stampede – Founded in 2017, the TransAlta Performing Arts Studio at Stampede Park continues to provide a year-round facility for Calgary Stampede Foundation and Calgary's youth performing arts groups to rehearse, train and celebrate the arts;
- Southern Alberta Institute of Technology ("SAIT") – Working with SAIT, TransAlta continued to support Indigenous access to education through our Indigenous funding program that addresses a gap in federal and provincial funding for Indigenous academic upgrading;
- TransAlta Tri-Leisure Centre - TransAlta continues to be a proud sponsor of this facility. The TransAlta Tri-Leisure Centre is a sporting and recreation destination for many active and involved residents from the communities of Parkland County, Spruce Grove and Stony Plain in Alberta. At the facility, thousands of local residents, and many of our employees, participate in a wide range of sporting and cultural activities and join together in many community causes;
- Banff Centre – TransAlta continued its financial support for the Indigenous Leadership Program at the Banff Centre for Arts and Creativity. Over the past five years, TransAlta's support has provided 45 bursaries for members of Indigenous communities to attend programs across Alberta and British Columbia; and
- Energy Transition Support - On July 30, 2015, in Washington State, we announced a US\$55 million community investment over 10 years to support energy efficiency, economic and community development, and education and retraining initiatives. The US\$55 million community investment is part of the TransAlta Energy Transition Bill passed in 2011. This bill was a historic agreement between policymakers, environmentalists, labour leaders and TransAlta to transition away from coal in Washington State by closing the Centralia facility's two units, one in 2020 and the other in 2025. In order to invest the \$55 million, three funding boards were formed: The Weatherization Board (\$10 million), the Economic & Community Development Board (\$20 million) and the Energy Technology Board (\$25 million). To date, the Weatherization Board has invested \$5.9 million, the Economic & Community Development Board \$12 million and the Energy Technology Board \$3.9 million. Specific projects that the boards funded in 2019 include rebuilding a playground (which included the installation of energy-efficient lighting and accessible surfaces and walkways), the construction of a training facility at Centralia College and funding Washington State's first electric school bus.