

Business Model

Our Business

We are one of Canada's largest publicly traded power generators with over 109 years of operating experience. We own, operate and manage a highly contracted and geographically diversified portfolio of assets representing 8,128 megawatts ("MW")⁽¹⁾ of capacity and use a broad range of fuels that include water, wind and solar, natural gas, and thermal coal. The Corporation is currently undertaking a multi-year transition to convert or retire all of our thermal coal units completely by the end of 2025. This transition will see our thermal units in Alberta discontinue all firing with thermal coal and the discontinuation of all coal mining operations by the end of Dec. 31, 2021. Our Centralia coal-fired facility in Washington State is committed to be retired under the TransAlta Energy Transition Bill. Consistent with our commitment under this bill, Centralia Unit 1 retired on Dec. 31, 2020, and the remaining unit is set to retire on Dec. 31, 2025. Our energy marketing operations maximize margins by securing and optimizing high-value products and markets for ourselves and our customers in dynamic market conditions.

Vision and Values

Our vision is to be a leader in clean electricity and we are committed to a sustainable future. Our mission is to provide safe, low-cost and reliable clean electricity. With our 109-year history of powering economies and communities, we apply our expertise, scale and diversified fuel mix to capitalize on opportunities in our core markets and grow in areas where our competitive advantages can be employed. Our values are grounded in safety, innovation, sustainability, integrity and respect, all of which enable us to work towards our common goals. These values are the principles that define our corporate culture. They reflect our skills and mindset, while providing a framework for everything we do, guiding both internal conduct and external relationships. These values are at the heart of our success.

Strategy for Value Creation

Our goals are to deliver shareholder value by delivering solid returns through a combination of dividend yield and disciplined growth in cash flow per share. We strive for a low to moderate risk profile over the long term while balancing capital allocation and maintaining financial strength to allow for financial flexibility. Our segmented cash flow growth is driven by optimizing and diversifying our existing assets and further expanding our overall portfolio and presence in Canada, the United States of America ("US") and Australia. We are focusing on these geographic areas as our expertise, scale and diversified fuel mix create a competitive advantage that we can leverage to capture expansion opportunities to create shareholder value.

Material Sustainability Impacts

Sustainability means ensuring that our financial returns consider short- and long-term economics, environmental impacts and societal and community needs. We refer to this as E²SG. This MD&A integrates our financial or economics ("E") and sustainability or environment, social and governance ("ESG") reporting. Key elements of our sustainability disclosure are guided by our sustainability materiality assessment. To help inform discussion and provide context on how E²SG affects our business, we have referenced the provincial securities commission guidance, Global Reporting Initiative, Sustainability Accounting Standards Board and the Task Force on Climate-related Financial Disclosures. Our content is structured following guidance on non-traditional capitals from the International Integrated Reporting Framework. In addition, we track the performance of 80 sustainability-related Key Performance Indicators ("KPIs") and have obtained a limited assurance report from Ernst & Young LLP over material KPIs.

(1) We measure capacity as net maximum capacity (see the Glossary of Key Terms for the definition of this and other key terms), which is consistent with industry standards. Capacity figures represent capacity owned and in operation unless otherwise stated, and reflect the basis of consolidation of underlying assets.