About This Report

Welcome to TransAlta’s seventh consecutive Integrated Report, which combines our financial and sustainability goals and results. This is an industry-leading practice and TransAlta is one of only a few companies to do this in North America. We believe sustainability performance should be evaluated, managed and communicated alongside our financial performance to demonstrate the impact on financial, environmental and societal value.

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A growing number of customers are looking for partners capable of helping them achieve ambitious decarbonization targets. One of TransAlta’s core competitive advantages is our differentiated ability to meet their needs with customer-centric energy solutions integrating a strong balance sheet, exceptional ability to execute growth projects, leading operations expertise, and energy trading and optimization capabilities that maximize reliability and returns.

John Kousinioris
President and Chief Executive Officer

In 2021, we completed our final conversion from coal to gas in Alberta. Our entire Canadian fleet is now off coal — nine years ahead of the Alberta government’s mandated end to coal-fired generation in 2030. This achievement marks an important milestone in our journey toward the ultimate decarbonization of our company.

John P. Dielwart
Chair of the Board of Directors
Dear TransAlta Investors

Writing my inaugural letter to shareholders, I am extremely proud to report outstanding results in 2021. These results came from a combination of strong performance from our operations, optimization and trading teams, and a relentless focus on execution from our growth and development teams during another challenging COVID-19 year. Our success is the product of the individual efforts of each TransAlta employee. It has been an honour to lead an organization comprised of talented people with a profound commitment to delivering exceptional results while adhering to our core values of safety, innovation, sustainability, respect, and integrity.

Our financial results in 2021 exceeded any year in our recent history. TransAlta delivered record free cash flow of $562 million, $2.07 per share, with all business segments contributing to our success. Our performance enabled us to announce an 11 per cent increase in our annual dividend to $0.20 per share. This increase reflects our success in 2021 and our confidence in TransAlta’s capacity to execute our growth plan and optimize returns from our existing assets.

2021 Achievements

Executing a Strategy Built for Energy Transition
In September 2021, we announced our Clean Electricity Growth Plan, which will guide TransAlta’s path to building an additional 2 GW of clean generation by 2025. This strategy is rooted in two core convictions. First, that the electricity sector will lead a global energy transition toward net-zero leading to significant demand for zero-emissions generation. Second, a successful energy transition will rely on an optimized set of existing assets delivering reliable and competitively priced electricity while markets integrate renewables and new technologies.

A growing number of customers are looking for partners capable of helping them achieve ambitious decarbonization targets. One of TransAlta’s core competitive advantages is our differentiated ability to meet their needs with customer-centric energy solutions integrating a strong balance sheet, exceptional ability to execute growth projects, leading operations expertise, and energy trading and optimization capabilities that maximize reliability and returns. Our 2021 performance reflects strength across all of these differentiating factors.

Strong Balance Sheet
In 2021, we continued to enhance the financial strength of our company. We have reduced our senior debt by approximately 31 per cent over the past two years. With $2.2 billion of liquidity, including almost $950 million in cash and cash equivalents, we are very well positioned to successfully deliver our growth strategy and generate greater opportunities to create value for our shareholders.

Successful Execution
In a COVID-19 year that tested our project execution capabilities, our teams showed resilience and an ability to advance growth projects, and our decarbonization efforts, within our stated budgets and timelines:

Pembina Pipelines and Garden Plain Wind Project
In May 2021, we signed an 18-year, 100 MW PPA with Pembina Pipelines for the electricity and environmental credits generated by our 130 MW Garden Plain Project near Hanna, Alberta. Construction began during the fall of 2021 and commercial operation is anticipated in late 2022. Total construction capital for the project is estimated at approximately $190-$200 million. The remaining 30 MW from Garden Plain will either be contracted or offered into the Alberta wholesale merchant market. This project is a great example of the ESG solutions that we can offer our customers to decarbonize their businesses.

BHP Nickel West and Northern Goldfields Solar and Battery Storage Project
In July 2021, we announced that we had reached an agreement to provide BHP Nickel West with renewable electricity supported by battery storage to support its mining operations in Mount Keith and Leinster, Western Australia.
building on our experience with solar generation.

Windrise

In August 2021, we acquired a 122 MW portfolio of 20 solar sites in North Carolina for US$39 million and the assumption of existing tax equity obligations. The acquisition adds Duke Energy as a customer, helps us expand our solar generation portfolio in a rapidly growing and high-growth market. The new team is our ability to operate and optimize our existing assets, especially in the Southeast region of the United States, broadens our renewables capabilities, and deepens our development and operating experience with solar generation.

White Rock East and West

In December 2021, we announced that we had signed a long-term PPA with a new customer with an AA credit rating from S&P Global Ratings for 300 MW of capacity from our White Rock East and White Rock West wind projects in Caddo County, Oklahoma, our largest project to date in the United States. Under the terms of the PPA, our customer will receive both renewable electricity and environmental attributes. Construction is expected to begin in late 2022 with a target commercial operation date in the second half of 2023. Total construction capital is estimated at approximately US$460-$470 million. The project is expected to generate total annual EBITDA of approximately US$42-$46 million including production tax credits. White Rock is further validation of our capabilities, and deepens our development and operating experience with solar generation.

Construction of the 48 MW Northern Goldfields Solar and Storage Project has commenced with targeted completion of the project during the second half of 2022. Total construction capital for the project is estimated to be approximately AU$69-$73 million. The project will lower emissions from BHP’s operations at Northern Goldfields by an estimated 12 per cent.

North Carolina Solar Acquisition

In January 2022, we acquired a 206 MW portfolio of 20 solar sites in North Carolina for US$99 million and the assumption of existing tax equity obligations. The acquisition adds Duke Energy as a customer, helps us expand our solar generation portfolio in an important region of the United States, broadens our renewables capabilities, and deepens our development and operating experience with solar generation.

Windrise

On November 10, our 206 MW Windrise wind facility achieved commercial operation. The capital cost of Windrise was approximately $265 million and production from the facility is fully contracted through a 20-year off-take agreement with the Alberta Electric System Operator (AESO) under its Renewable Electricity Program. The largest of our 10 operating wind facilities in Alberta, Windrise is located roughly 20 km southwest of Claresholm, Alberta. Windrise will provide $20-$22 million of average annual EBITDA with long-term, contracted cash-flows with a high investment grade counterparty, extending the contracted duration of our cashflows.

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Coal to Gas Transition

In 2021, we also completed coal-to-gas conversions at Sundance Unit 6, and Keepehills Units 2 and 3 in Alberta. These projects allow these facilities to continue meeting the needs of Alberta consumers by providing reliable, competitively priced electricity with an approximately 50 per cent lower emissions profile. This step change in emissions contributes to our goal of achieving a 75 per cent emissions reduction over 2015 levels by 2026, a leading target for our sector.

Executing projects and closing acquisitions can be difficult at the best of times, and 2021 had its challenges. However, I was consistently impressed at the innovation and flexibility shown by our project teams in the face of constantly evolving COVID-19 guidelines and successive COVID-19 waves. In rising to the challenges, our teams showed our customer-centric approach positioning TransAlta as a reliable partner with deep commitment to successful execution.

The projects, acquisitions, and transitions completed and announced in 2021, which spanned all of our operating geographies, achieved 30 per cent of our 2 GW growth target and reduced our GHG emissions 24 per cent year-over-year, outstanding results for the first year of our five-year Clean Electricity Growth Plan.

Leading Operations and Optimization

Another of TransAlta’s key competitive advantages is our ability to operate and optimize our existing assets, especially in the Alberta market. While our growth, project, and M&A teams added to our fleet of high-quality assets, we also saw strong performance from our teams tasked with operating and maximizing returns from our diverse existing fleet. In 2021, our new team charged with optimizing our Alberta merchant market performance had an excellent first year, delivering $864 million of gross margin from a mix of hydro, wind, gas, coal, and energy storage.

Our energy trading desk also delivered very strong results in 2021 showing the value of our expertise across markets and energy types.

Underpinning our success are operations professionals focused on safely operating and maintaining our facilities. These teams also managed through COVID-19, completing turnarounds, enhancing the performance of individual facilities, and troubleshooting unforeseen circumstances with care and diligence. Our financial results would have been impossible without the availability delivered by the industry-leading performance of our operations teams.

The combined operational and optimization expertise of these teams adds important differentiating strengths as we compete to deliver contracted energy solutions for our customers and strong returns from our merchant assets.

Moving into the second year of our Clean Electricity Growth Plan, we see a dynamic and constantly growing opportunity set. TransAlta’s 2021 accomplishments in growth, project execution, operations, trading, and optimization tangibly showed why we are well positioned to grasp further opportunities in 2022 and beyond.

An Organization Prepared to Thrive

As an incoming CEO, I am frequently asked about my priorities for evolving our organization. Delivering on our growth strategy and optimizing the performance of our existing assets constitute the core of our strategy, but within these goals, we are also working to enhance TransAlta’s culture and resilience. I want to highlight two areas of focus in 2021. First, is a strong focus on multiple dimensions of our safety culture and second is preparing for disruption.

Progress on Our Safety and Cultural Journey

In an organization like ours, consideration of safety starts with a focus on the physical safety of our employees. As you will see in our Annual Report, our safety performance, while strong compared to our peers, remained relatively static in 2021. This was not the outcome that we were seeking and, as a result, we committed to enhancing our safety culture through new training and approaches across the company.

As a part of our broader focus on organizational culture, we are also working to promote greater team collaboration and effectiveness to deliver company results. We want our employees to have candid discussions, raise difficult issues, and bold ideas that challenge the status quo. The energy transition will require consistent innovation to meet our customers’ evolving needs. Innovation starts with one employee speaking up. At TransAlta, I want all of our employees to be grounded by our company core values and speak up with confidence.
We also want our employees to feel safe bringing their whole selves to work. Our Equity, Diversity, and Inclusion strategy, entering its second year, is focused on celebrating multiple dimensions of diversity. It is obvious that companies need to leverage talent from everywhere and barriers to inclusion are deeply counterproductive to long-term performance. I am grateful to our ED&I Council for leading the way in identifying and breaking down remaining barriers and, in doing so, making TransAlta a better workplace and a more competitive organization.

Preparing for Disruption

Few companies reach 110 years of age. In guiding TransAlta to 110, my predecessors weathered many types of disruption, and our current executive team continually scans for emerging trends that might impact our business.

This year, I want to share my thoughts on two critical sources of potential disruption. The first is perennial — technology change, the second is particularly acute in our sector — policy change.

As part of our Clean Electricity Growth Plan, we have established a new technology team tasked with building our expertise in emerging technologies. Getting to net-zero will require the wide-spread development and deployment of game-changing technologies. It is critical that TransAlta has a deep understanding of the potential of these technologies to build and protect our business. Our work in this area led to an early stage investment in Ekona Power Inc. (announced in February 2022) and subsequent policy developments have only reinforced my confidence in that decision. Our growth plan focuses on renewables, natural gas repowering project. Subsequent policy developments have only reinforced my confidence in that decision. Our growth plan focuses on renewables, which insulates our financial performance from carbon policy risks, and long-term contracting, which reduces our exposure to the impact of policy changes in merchant markets.

2021 saw the Government of Canada commit to a net-zero electricity grid by 2035, a key priority as we must electrify in order to achieve our economy-wide decarbonization objectives. This is just one example of the policy change that we are seeing in all of our markets. As governments develop the policies and regulations required to deliver a net-zero transition, we can expect disruption that brings new opportunities and risks in the global electricity sector.

In one way, TransAlta continues to respond to this disruption as we always have: by providing reasoned policy advice and thinking deeply about solutions that work from a reliability, cost, and emissions reduction perspective. I am pleased to report that we have maintained our position as a credible voice in climate policy conversations. In 2021, we enhanced our Alberta modeling capacity as part of our commitment to fleet optimization. By doing so, we also augmented our ability to provide actionable advice to governments throughout their policy development processes. We remain confident that TransAlta’s fleet is well-configured for a lower emissions future and 2021 saw us enhancing our analytical capabilities to support our long-term view and prepare us for the important policy conversations ahead.

Our Clean Electricity Growth Plan will also substantially reduce our exposure to policy disruption. Perhaps the most important decision made in the first few months of my tenure as CEO was the suspension of the Sundance 5 natural gas repowering project. Subsequent policy developments have only reinforced my confidence in that decision. Our growth plan focuses on renewables, which insulates our financial performance from carbon policy risks, and long-term contracting, which reduces our exposure to the impact of policy changes in merchant markets.

A decade into TransAlta’s second century of operations, I am pleased with the progress that we have made in 2021 as we evolved our organizational culture, enhanced our foresight regarding potential disruption, and continued to manage and mitigate key risks.

Building from Strength to Strength

I am acutely aware that the success we delivered in 2021 builds on the work and the foresight of many TransAlta employees, both current and former.

The past year saw us complete our off-coal transition in Canada. The conclusion of our coal operations at Highvale, Sundance, and Keephills led to the departure of a significant number of our employees, many of whom dedicated decades of their working lives to the reliable operations of our coal plants since they were first commissioned in the 1970s. Throughout this difficult transition, the men and women most affected exhibited incredible dedication, commitment, professionalism, and excellence. They are an example to all of us and their extraordinary effort, and many contributions, will always remain part of the fabric and memory of our company.

We also owe a debt of thanks to Dawn Farrell, who stepped down as President and CEO of TransAlta on March 31, 2021. I worked closely with Dawn for almost a decade and admired and learned from her leadership, integrity, and commitment to, and vision for, TransAlta. She navigated our company through a period of transformative change, establishing TransAlta as a leading clean electricity-focused company spanning three countries, competitively positioned for the opportunities of the net-zero economy we are all working to achieve. Her legacy will endure.

As we report on a tremendously successful year and look forward to the future, I also want to express my sincere thanks to our Board of Directors for their support, guidance, and wisdom. They are committed to our company, our values, and our mission to deliver the clean electricity our world will need in the future.

To our investors, we thank you for your continuing commitment to TransAlta. This year was truly an exceptional year for our company, and I feel honoured to lead a team of people who work tirelessly to deliver outstanding performance. I am pleased to report that there is every reason to believe that our success will continue in 2022.

John Kousinioris
President and Chief Executive Officer
February 23, 2022
Dear Fellow Shareholders

Throughout 2021, the pandemic continued to impose challenges to our operations, especially as we were completing our off-coal initiative in Canada, which required hundreds of contractors to work alongside our operations staff for extended periods of time. I am happy to report that this significant initiative was completed essentially on time, on budget and with minimal COVID-related incidents. This is a tribute to TransAlta’s head office and field leadership teams’ ability to adapt on the fly as new COVID-related protocols had to be introduced as the virus evolved. If that wasn’t challenge enough, our principal market, Alberta, with the expiry of the Alberta power purchase arrangements transitioned to a fully merchant market on January 1, 2021, which dramatically altered how we operate our generating facilities. Once again, your leadership teams performed brilliantly in this new market, so much so that 2021 was a record year financially.

During 2021, we also transitioned our CEO role from Dawn Farrell to John Kousinioris on April 1, 2021. I want to acknowledge Dawn’s exceptional contributions to TransAlta during her long tenure with TransAlta and in particular this past decade as President and CEO. Dawn’s highly accomplished 35-year career in electricity provided her with the breadth of experience and wisdom needed to successfully guide the company through our transition off coal. Dawn transformed our core business and thoroughly prepared the organization and her successor to be successful in her absence. She was instrumental in ensuring a smooth transition for John to hit the ground running. Dawn’s contributions have set TransAlta up to be in a significantly stronger position today relative to when she took on the CEO role. Her presence and contributions will truly be missed.

When incoming President and CEO John Kousinioris assumed the helm in April, the strategic course for the company was well established and understood. He very effectively executed this strategy throughout the remainder of 2021 in spite of the headwinds being experienced by the evolution of the pandemic. As a result, TransAlta is expanding its role as a leading provider of renewable electricity generation and emissions-reduction solutions for our customers.

We also owe a debt of thanks to retiring Directors Yakout Manour and Georgia Nelson for their long-term service and significant contributions to the company. I would also like to acknowledge the retirement of Richard Legault. While his tenure was shorter than that of Yakout and Georgia, he also was a significant contributor to the Board. The upside to Board renewal is that we are able to restructure the Board with the skills needed for the future direction of the company. I am excited about the quality of the new Board members that we were able to attract in 2021 – each of whom has already made meaningful contributions to the corporation. The four new members who joined the Board of Directors are Laura Folse, Thomas O’Flynn, James Reid, and Sarah Slusser.

As the pandemic evolved and restrictions/regulations changed, management’s response to the pandemic was, in my opinion, truly industry leading. Management at TransAlta was often contacted by their industry peers seeking advice on how to roll out similar programs at their companies. The virus has continued to impact our workforce and our business, but our team delivered excellent performance while most employees worked remotely. I am hopeful 2022 will find us returning to our offices, and I am excited to see what additional success the year will bring. Returning to in-person work will refresh our culture and reinvigorate collaboration among our teams, helping to carry our success in 2021 forward.

I continue to be proud of the way the Board and management worked together to manage the pandemic response throughout 2021. As all corporations did, we needed to adopt new ways of collaborating virtually and learned how to work together from afar. I am also proud of the entire organization for their continued effort, flexibility, adaptability and resilience through the year. While some teams were able to return to the office periodically, depending on their jurisdiction’s restrictions at a given time, most spent 2021 working remotely. Our teams demonstrated that they could rise to the challenge to deliver this year’s outstanding results under a distributed working model of working remotely. The TransAlta team met or exceeded nearly all of their key objectives and targets.

We are also proud to once again be recognized as a leader in corporate governance, having jumped in our ranking on the Globe and Mail’s Board Games from 14 in 2020 to 6 in 2021. This recognition is a testament to the Company’s performance as an industry leader in corporate governance and disclosure. We are outperforming our peers on this ranking and I could not be prouder of that. The importance of diversity both in the organization and on the Board is well understood within TransAlta and we are steadfast in our commitment to the goals that we have set surrounding Equity, Diversity and Inclusion within the organization.

As previously mentioned, in 2021 we completed our final conversion from coal to gas in Alberta. Our entire Canadian fleet is now off coal – nine years ahead of the Alberta government’s mandated end to coal-fired generation in 2030. This achievement marks an important milestone in our journey toward the ultimate decarbonization of our company, with an ambition of carbon neutrality by 2050, and an earnest contribution to Canada’s emissions-reduction goals. But the move away from coal is important for another reason; it is critical to our core strategy of delivering low-cost, reliable and low-emissions power to customers. We acknowledge, however, that the transition away from coal has significant adverse consequences for a material number of our employees. The employees to whom we bid farewell at the end of 2021 deserve the highest praise for the professionalism and dedication on display throughout this transition. We are grateful for their service, not only through the transition, but also throughout the decades of plant operations to which they dedicated their working lives. Their contributions were a critical component to our success since first firing on coal in 1970.

In September, at our Investor Day, we debuted our Clean Electricity Growth Plan that will guide the Company’s strategy to 2025 and beyond. TransAlta has a diversified fleet with over 3 GW of development in our growth pipeline. We are a clean power leader with a strong and dedicated focus on ESG. We are also in the strongest financial position that we have been in for decades. We are on an exciting trajectory of growth and will transition from 35 per cent renewables currently to a target of 70 per cent in the next five years.

As we look forward to 2022, we hope to see more of our friends, colleagues and peers in person. Our organization is innovative, nimble and bold in delivering on its mandate as an independent power producer. On behalf of your Board, I can assure you that TransAlta remains dedicated to accelerated renewables growth and customer-centric project development. We are on a strong and strategic path forward to deliver the clean electricity the world needs today and into the future.

I have had the great honour and privilege to serve as the Chair of the Board of Directors of TransAlta Corporation since the second quarter of 2020, just as COVID-19 was emerging and changing how we all work and live.

Chair of the Board of Directors
John P. Dielwart
February 23, 2022

John P. Dielwart
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February 23, 2022
Who We Are

TransAlta is a Canadian corporation and one of the country’s largest publicly traded power generators. We own, operate and manage a contracted and geographically diversified portfolio of assets utilizing a broad range of fuels including hydro, wind, solar, natural gas and thermal coal.

Our Corporate Culture: Heart of Our Success

**Our vision** is to be a leader in clean electricity — committed to a sustainable future.

**Our mission** is to provide safe, low-cost and reliable clean electricity.

Our Values

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<tr>
<th>Safety</th>
<th>Innovation</th>
<th>Sustainability</th>
<th>Respect</th>
<th>Integrity</th>
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</table>

Our values define our corporate culture. They reflect our skills and mindset, while providing a framework for everything we do, guiding both internal conduct and external activities.

Our People: Our Greatest Asset

Our employees are central to value creation. Our corporate culture has evolved and adapted throughout our more than 110-year heritage. Through corporate initiatives and support throughout all levels of leadership, we encourage our employees to maximize their potential.

- **Health & Safety**
  
  The safety of our people, communities and the environment is one of our core values. Each year we invest significant resources into improving our safety performance, including positively enhancing our safety culture.

- **Employee Retention & Recognition**
  
  We strive to be an employer of choice through our total rewards programs, which include various incentive plans designed to align performance with our annual and longer-term targets, as determined annually by the Board.

- **Equity, Diversity & Inclusion**
  
  We believe a strong focus on Equity, Diversity & Inclusion will drive performance in innovation, improve service to our customers and positively impact the communities that we all live in.

- **Talent & Employee Development**
  
  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.

See pages M96 to M100, Building a Diverse and Inclusive Workforce, for further details.
We operate a diverse fleet of electrical power generation assets in Canada, the United States and Australia consisting of hydro, wind, solar, battery storage, gas and energy transition facilities. The energy transition business segment was created as a result of the transition away from coal as a fuel source.

**Our Generation Fleet**

We began in Alberta over 100 years ago with the construction of our first hydro facility. Today, our operations span the country, providing the electricity Canadians need every day.

**Canada**
- First plant commissioned: 1911
- Gross installed capacity: 5,718 MW
- Operating facilities: 60

**Australia**
- First facility commissioned: 1996
- Gross installed capacity: 450 MW
- Operating facilities: 6

**United States**
- First facility acquired: 2000
- Gross installed capacity: 1,219 MW
- Operating facilities: 10

**Energy Marketing: Enhancing Value**

Through years of expansion and investment, we’ve built a leading Energy Marketing business that continues to deliver value across the fleet, supports our growth aspirations and provides a strong cash contribution to TransAlta. Energy Marketing continues to be a strong contributor to the business with improved performance year-over-year.
What We Achieved

TransAlta had an outstanding year. We have demonstrated our leadership as a clean electricity generator with a dedicated focus on ESG. Our financial results for 2021 were fantastic and we are on solid financial footing to deliver on our growth strategy.

Awards and Recognition

TransAlta has been recognized in recent years for our performance as a responsible operator and proud community member where we work and live. Our ESG performance continues to be celebrated.

Bloomberg Gender-Equality Index
A market capitalization-weighted index that aims to track the performance of public companies committed to transparency in gender-data reporting.

CDP Industry Leader Score of B
This is above the North American regional average of C and represents the highest score achieved by companies in the thermal power generation sector.

Globe and Mail Board Games Rank of 6 (a score of 97 out of 100)
Board Games assesses the work of Canada's largest boards against a rigorous set of governance criteria (well beyond the minimum set by regulators).

Globe and Mail Women Lead Here
The Globe and Mail Women Lead Here list intends to set a benchmark for gender diversity in corporate Canada.

Governance Gavel Award: Best Corporate Governance Disclosure
Canadian Coalition for Good Governance awards recognize excellence in shareholder communications by issuers through their annual proxy circulars.

Energy Intelligence 2020 Green Utilities Report
The annual Green Utilities Report ranks 100 companies among the largest power generators from around the world, accounting for almost half of global capacity.

Canadian Council for Aboriginal Business
Bronze-level Progressive Aboriginal Relations recognition of our Indigenous partnerships and relationships.

Diversio
First publicly traded energy company to be certified by Diversio for its Equity, Diversity and Inclusion program.

United Way
United Way “Thanks a Million Award” recipient since 2001.
At a Glance: Exceptional Performance

$9.4 Billion
Enterprise Value
Strong balance sheet and capital discipline

110 Years
Generation Experience
The foundation of our focused strategy

$3.6 Billion
Market Capitalization
Listed on the TSX and the NYSE

$1.26 Billion
2021 Adjusted EBITDA
A $336 million increase compared to 2020

7,400 MW
Diversified Portfolio
76 generating facilities in three countries

29 Million Tonnes
GHG Reductions Since 2005
9 to 10 per cent of Canada’s Paris Agreement goal

2,800 MW
Renewables Installed Capacity
Our consolidated ownership in 2021

$2.72 Billion
2021 Revenues
A $620 million increase compared to 2020

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Strong balance sheet and capital discipline

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38% Women in Senior Management
This percentage is higher than our peers in Canada

42% Women on the Board of Directors
Targeting 50 per cent female representation by 2030

1,280 Employees
Our greatest asset and central to our value creation

$3.0 Million
Community Investment in 2021
Youth and education, environmental leadership and community health and wellness

(1) Non-IFRS measure. See pages M44 to M46 for details.
(2) Excludes the results from the Corporate segment and our equity investments.
What’s Next

We believe the 2020s will be a decade of massive clean energy expansion and we are excited about the role that TransAlta will play. We have a proven track record along with the expertise and experience to meet the challenge.

Strategic Priorities: 2021 to 2025

Our strategic focus is to invest in clean energy solutions that meet the needs of our industrial customers and communities. We invest in a disciplined manner in projects that help our customers and communities meet their ESG objectives and that deliver returns to our shareholders.

<table>
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<tr>
<th>Strategic Priority</th>
<th>Description</th>
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<tbody>
<tr>
<td>1 Accelerate Growth in Customer-Centred Renewables and Storage</td>
<td>We are growing our renewable capacity and plan to invest $3 billion to deliver 2 GW of incremental renewable capacity by the end of 2025.</td>
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<tr>
<td>2 Take a Targeted Approach to Diversification</td>
<td>We are focused on growing our asset base in our core geographies of Canada, Australia and the United States to realize increased diversification and value creation.</td>
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<td>3 Maintain Our Financial Strength and Capital Allocation Discipline</td>
<td>Our strong cash flow results provide a large pool of funds to be allocated to our funding priorities including growth, dividends and share buybacks.</td>
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<tr>
<td>4 Define the Next Generation of Power Solutions and Technologies</td>
<td>We intend to meet the needs of our customers and communities through the implementation of innovative power solutions and technologies in the latter half of this decade and beyond.</td>
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<td>5 Lead in ESG Policy Development</td>
<td>We actively participate in policy development to ensure the zero-emissions electricity we provide contributes to emissions reduction, grid reliability and competitive energy prices.</td>
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<tr>
<td>6 Successfully Navigate through the COVID-19 Pandemic</td>
<td>We will continue to maintain an effective response to COVID-19 and plan a safe return to our offices.</td>
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Sustainability Pillars: Our Commitment

Our key strategic sustainability, or ESG, pillars build on our corporate strategy and weave through our business. Some of these focus areas are already part of our corporate culture and our track record illustrates our commitment to sustainability. In other areas where we have set new goals in recent years, we believe the focus will only strengthen our corporate strategy and support value creation into the future. Our sustainability pillars include:

1. **Clean, Reliable and Sustainable Electricity Production**
2. **Safe, Healthy, Diverse and Engaged Workplace**
3. **Positive Indigenous, Stakeholder and Customer Relationships**
4. **Progressive Environmental Stewardship**
5. **Technology and Innovation**

**See page M67 to M112 for details on our ESG management and performance.**

Sustainability Targets: Achieving Results

Our 2022 and longer-term sustainability targets support the long-term success of our business so that the Company will continue to be positioned as an ESG leader in the future. Goals and targets are established to improve our ESG performance and to manage current and emerging material sustainability issues.

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<thead>
<tr>
<th>Environment</th>
<th>Governance</th>
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<td>Reclaim land utilized for mining</td>
<td>Strengthen gender equality</td>
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<td>Responsible water management</td>
<td>Demonstrate leadership on ESG</td>
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<td>Reduce GHG emissions</td>
<td>reporting within financial disclosures</td>
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<tr>
<th>Social</th>
<th>Environment &amp; Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce safety incidents</td>
<td>Clean energy solutions for customers</td>
</tr>
<tr>
<td>Support prosperous Indigenous communities</td>
<td></td>
</tr>
</tbody>
</table>

**Clean Energy Transition: Delivering**

TransAlta is currently in a multi-year transition to convert or retire all of our thermal coal units completely by the end of 2025. In 2021, we completed the transition in Canada and our coal boiler facilities and are now running solely on gas. Our remaining coal-fired facility in the United States is committed to be retired on December 31, 2025 under the TransAlta Energy Transition Bill.

**The United Nations SDGs: Our Benchmark**

We establish our goals and targets utilizing the United Nations Sustainable Development Goals and the Future-Fit Business Benchmark. TransAlta is committed to decarbonizing our energy generation and to accelerating clean energy growth. We believe we can make a greater positive impact on UN SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”, while supporting several other SDGs.

**Climate Change Management: Leading the Way**

TransAlta recognizes the challenge climate change presents to society and our business, today and into the future. We have been at the forefront of open and transparent dialogue regarding climate change since the early 1990s when we supported the development of Canada’s Climate Change Voluntary Challenge and Registry Program.

Since 2005, we have made tremendous progress in reducing our emissions. We have delivered over 29 million tonnes of annual greenhouse gas reductions, representing approximately 9 to 10 per cent of Canada’s Paris Agreement goal of reducing between 40 to 45 per cent from 2005 levels by 2030.

**TransAlta GHG Emissions** (million tonnes CO2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions Reductions Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16.4</td>
</tr>
<tr>
<td>2015</td>
<td>20.6</td>
</tr>
<tr>
<td>2019</td>
<td>18.4</td>
</tr>
<tr>
<td>2020</td>
<td>12.5</td>
</tr>
<tr>
<td>2021</td>
<td>41.9</td>
</tr>
</tbody>
</table>

**Environment & Social**

1. **Coal transition**
2. **Clean energy solutions for customers**

**Governance**

1. **Strengthen gender equality**
2. **Demonstrate leadership on ESG**
3. **reporting within financial disclosures**

TransAlta is committed to decarbonizing our energy generation and to accelerating clean energy growth. We believe we can make a greater positive impact on UN SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”, while supporting several other SDGs.

**2015 Segment EBITDA**

- **Renewables and Gas**: 57%
- **Coal**: 32%
- **Energy Marketing**: 11%

**2021 Segment EBITDA**

- **Renewables and Gas**: 80%
- **Coal**: 10%
- **Energy Marketing**: 10%

**2025 Segment EBITDA**

- **Renewables and Gas**: 95%
- **Coal**: 5%
- **Energy Marketing**: 0%
In September, TransAlta announced new targets and goals in the Clean Electricity Growth Plan. Our enhanced focus on renewable generation and storage solutions for customers is largely driven by the need to decarbonize our company and our customers’ businesses and the increase of demand for renewable generation sources in our operating jurisdictions and beyond.

As we look beyond 2030 and our goal of carbon neutrality, we are exploring a variety of emerging technologies to meet our emissions-reduction aspirations. We intend to be a thought leader in the renewables space, bringing customized solutions that serve our company, our customers, and the communities we serve.

See pages M9 to M11 for details on our Accelerated Clean Electricity Growth Plan.

**Accelerated Clean Electricity Growth: The Plan**

- Announced our strategy to accelerate transition to gas and renewables generation
- Signed letter of intent to construct natural gas pipeline to service Alberta Thermal and facilitate the energy transition
- Announced gas supply conversions and accelerated conversion to gas schedule in Alberta
- Deliver 2 GW of incremental renewable capacity
- Target capital investment of $3 billion
- Accelerate growth into renewables
- Expand our development pipeline to 5 GW
- Expand our platform in core geographies

**Beyond 2030: Game-Changing Technologies**

- 70% of EBITDA from renewables and storage
- 75% GHG reduction from 2015 levels
- Coal generation discontinued across fleet
- Enable a two-fold increase in renewables by 2030
- 5 GW accelerated growth pipeline
- New programs for growth in renewables and storage
- Pursue new technologies such as storage, hydrogen and carbon capture for deployment post-2026
- Deliver 2 GW of incremental renewable capacity
- Target capital investment of $3 billion
- Accelerate growth into renewables
- Expand our development pipeline to 5 GW
- Expand our platform in core geographies
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