

Fighting Against Forced Labour and Child Labour in Supply Chains Act 2024 Annual Report

A. INTRODUCTION

TransAlta Corporation (“**TransAlta**”) is subject to legal requirements in section 11 of the Canadian federal Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “**Act**”). This Report is made pursuant to the Act for the financial year ending December 31, 2024 (“**Reporting Period**”) and was approved by the TransAlta Board of Directors on February 18, 2025.

The Report is filed by TransAlta on behalf of itself and the following subsidiaries licensed to import goods into Canada: TransAlta Generation Partnership; TransAlta Energy Marketing Corp.; TransAlta Cogeneration L.P.; Keephills 3 Limited Partnership; TransAlta (SC) L.P.; Melancthon Wolfe Wind L.P.; TA Alberta Hydro LP; and Garden Plain I LP. The terms the “**Company**”, “**TransAlta**”, “**we**”, “**our**”, or “**us**” refer to TransAlta Corporation and extend to all entities listed in this report.

The Report sets out the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by TransAlta or of goods imported into Canada by TransAlta.

On December 4, 2024, TransAlta successfully completed the acquisition of 100 percent of the shares in Heartland Generation Ltd. and Alberta Power (2000) Ltd. (collectively, “**Heartland**”) and commenced integration of Heartland’s operations into our business.

Unless otherwise stated, the operational and supply chain data and content presented in the main body of the report does not include former Heartland entities. However, we have presented specific data and content for former Heartland entities in section 3 of this Report.

B. OVERVIEW

1. Steps to Prevent and Reduce Risks of Forced and Child Labour

TransAlta took significant steps during the Reporting Period to prevent and reduce the risk of forced labour or child labour in its business and supply chains, described below.

(a) Enhanced Supplier Risk Management

Throughout the Reporting Period, we prioritized actions to deepen our understanding of modern slavery risks within our operations and supply chains, enhancing the effectiveness of measures to address these risks. We proactively examined the upstream sourcing of materials, equipment and services from our key vendor partners to support both growth and operational needs.

(b) Expanded ESG Data Collection from Suppliers

We also implemented a modern slavery questionnaire for new suppliers to gather information on their policies and practices to mitigate modern slavery risks within their workplaces and supply chains. For existing suppliers, we distributed a modern slavery survey to collect insights on their operations, supply chains, and environmental and social impacts, with a specific focus on risks of modern slavery. This initiative was conducted across TransAlta.

(c) Employee Training Initiatives

We provided annual mandatory Code of Conduct training for all employees as well as specialized training on Canada’s modern slavery legislation for employees involved in the procurement of goods and services. This training was designed to enhance awareness and understanding of responsible procurement practices among our teams.

These actions were applied broadly across TransAlta, except as otherwise noted.

C. TRANSALTA’S STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

1. TransAlta Overview

TransAlta is the sole parent company of the entities covered in this Report and is headquartered in Calgary, Alberta. We have been engaged in the development, production, and sale of electric energy since 1911. We are one of Canada’s largest independent power generators and among Canada’s largest non-regulated electricity generation and energy marketing companies, with 9,014 megawatts (“**MW**”) of gross installed capacity.

We own, operate, and manage a highly contracted and geographically diversified portfolio of assets using a broad range of technologies and fuels, including water, wind, solar, natural gas, energy storage, and coal. We are focused on generating and marketing electricity in Canada, the United States, and Western Australia through our diversified portfolio of facilities. Our mission is to provide safe, low-cost, and reliable clean electricity.

2. TransAlta's Supply Chains

During the Reporting Period, we procured goods and services globally from a network of approximately 2,000 suppliers and contractors across North America, Australia, Asia and Europe. Our suppliers range from major, Fortune 500 international companies to small, local businesses.

Our supply network largely reflects our operational footprint, meaning most of our direct spend during the Reporting Period continued to be in the countries where we have operated assets. Approximately 52 percent of our suppliers were based in Canada, 26 percent were located in the United States, 21 percent in Australia and approximately 1 percent in Europe or Asia. We appreciate, however, that some of these suppliers are supplying goods that originated from other jurisdictions. Our Supply Chain team endeavors to understand our vendors' partners upstream providers where possible.

Our suppliers cover a wide range of disciplines, including construction, engineering, and professional services. Approximately 80 percent of our 2024 spend was allocated to the procurement of fuel, professional services, local operations and maintenance services, as well as the local operations of wind turbines, conducted in both Canada and the United States.

We have a centralized Supply Chain Management ("SCM") function that serves the entire Company, including our Canadian, United States and Australian operations. This function is responsible for all aspects of SCM, including strategic sourcing, contract management, and supply chain and commercial risk management, all with the goal of creating maximum value for TransAlta and our shareholders while upholding the principles and standards set out in our Supplier Code.

3. Heartland's Supply Chains

On December 4, 2024, we completed the acquisition of Heartland and began integrating its operations and functions into our business - a process that will continue over time.

The former Heartland operations are generation assets in Alberta and British Columbia, Canada, consisting of 507 MW of cogeneration, 387 MW of contracted and merchant

peaking generation, 950 MW of gas-fired thermal generation, transmission capacity.

Prior to acquisition, Heartland implemented a Code of Business Conduct and Ethics, including Code Policies (the "Heartland Code"), a Modern Slavery Policy, a Supply Chain Management Policy and Sourcing Practice, and an Ethics and Compliance Helpline (collectively, the "Policies"). Each employee was required to read and acknowledge the Heartland Code, which also references the Policies. Additionally, all third-party suppliers and contractors were obligated to adhere to these Policies as part of Heartland's standard supply chain contract terms.

During the Reporting Period, we were advised that Heartland conducted a risk analysis of its supply chains to assess potential forced labour and child labour risks. As part of this analysis, we understand that Heartland's key material suppliers and contractors were reviewed and sent a questionnaire requesting detailed information about their exposure to forced labour and child labour, as well as the actions they are taking to prevent and mitigate these risks. The results of the risk analysis and questionnaires were analyzed for any potential exposure, and no instances of forced labour or child labour were identified.

4. TransAlta's Policies and Due Diligence Processes

TransAlta recognizes that forced labour, child labour, and other forms of modern slavery are critical issues, and we stand strongly against this exploitation. TransAlta has accordingly developed internal governance documents that take into consideration supply chain and human rights compliance risks. Our supply chain processes are designed to procure goods and services that meet our standards for environmental stewardship, social responsibility, and ethical practices. We attain this objective by incorporating ESG factors into our supplier lifecycle management framework, encompassing supplier selection and relationship management through various means, including pre-qualification, requests for proposals, proposal evaluations, and contracts.

5. TransAlta Policies Addressing Forced and Child Labour

(a) Corporate Code of Conduct (the "Code")

TransAlta's Code sets out the expected behavior of all employees, including independent third-party contractors such as consultants, agents or independent contractors retained to do work or represent TransAlta's interests.

We are committed to creating a work environment where all employees feel safe and are valued for the diversity they bring to our business. We have continued to require employees to complete annual mandatory Code training. This training is reviewed and updated approximately each

year and is required to be completed by employees before completing the required annual Code acknowledgment and sign-off. In 2024, 100 percent of employees completed this training and acknowledged and signed-off on the Code. We do not tolerate discrimination or harassment and are committed to honoring domestic and internationally accepted labour standards and support the protection of human rights.

(b) Supplier Code of Conduct (“Supplier Code”)

TransAlta expects suppliers to know and uphold the human rights of all workers, whether temporary or contract employees, and to treat all their workforce members with dignity and respect, providing them with safe working conditions. The Supplier Code specifically addresses the prohibition of human rights abuses, including all forms of forced labour and child labour.

We expect all our suppliers to adhere to and implement the principles and practices expressed in the Supplier Code. In addition, we expect suppliers to cascade these principles and requirements down to their own respective suppliers.

TransAlta encourages all suppliers, workers, and other stakeholders, through the provisions of the Supplier Code, to speak up about any issues, concerns, and suspected violations of TransAlta’s policies. All ethical or legal concerns related to the Supplier Code can be reported to TransAlta’s Ethics Help Line, which is set out in more detail below.

(c) Human Rights and Discrimination Policy

TransAlta’s Human Rights and Discrimination Policy is a global policy that communicates our commitment to human rights in our operations and supply chains. This commitment includes that TransAlta will strive to ensure our operations do not negatively impact human rights of local communities, which is done through meaningful and transparent consultations with stakeholders who are or will be potentially affected by our operations. TransAlta employees will not be complicit in human rights abuses.

The policy states that TransAlta’s personnel policies and practices in our operations around the world will respect the following fundamental rights:

- the right to a healthy and safe workplace;
- the right to non-discrimination in the workplace;
- the right to be free from cruel and unusual disciplinary practices;
- the prohibition of exploitative child labour; and
- the prohibition of forced labour and the avoidance of products produced by such labour.

(d) Procurement Policy

TransAlta is committed to upholding our Procurement Policy, which aims to maintain workplaces that strictly prohibit all forms of forced labour.

(e) Whistleblower Policy and Ethics Helpline

Our Whistleblower Policy offers a reporting mechanism for our employees, officers, directors, and contractors to report ethical or legal violations, among other concerns. Stakeholders may make a report to identify individuals within TransAlta or through the Company’s third-party Ethics Helpline. The Ethics Helpline is a confidential and anonymous platform, which can be accessed 24 hours a day, 356 days a year by phone, mail, or electronically.

Upon receipt of a report, TransAlta will review the facts, and determine whether sufficient facts are present to initiate an investigation. Upon completion of an investigation, we seek to address potential impropriety promptly and/or establish a corrective action plan in collaboration with relevant stakeholders. Our Whistleblower Policy prohibits retribution against any individual who reports an ethical complaint.

(f) Due Diligence Processes

We developed a multi-year roadmap to further integrate additional ESG considerations and opportunities, including the promotion and protection of human rights, into our SCM strategies and programs. This includes thorough pre-screening, self-assessment questionnaires, on-site and desktop evaluations, and ongoing performance monitoring, each of which is set out in more detail below.

(g) Pre-screening and Self-Assessment

We engage internal subject-matter experts, including sustainability and legal, to provide input into supplier pre-qualification and the monitoring phases of the supplier lifecycle, as well as to offer guidance on emerging issues. Our aim is to ensure that our standards regarding safety, human rights, sustainability, and environmental practices are upheld throughout our supply chains, and that suppliers follow the high standards set forth in the Supplier Code.

(h) Requests for Proposals (“RFPs”) and Proposal Evaluations

Following a risk-based assessment of our supplier base, we may include in our RFPs specific questions regarding goods and services associated with medium or high levels of risk. These questions address the origins of critical materials and components, supplier location, ownership, scope of business, etc. In certain instances, we may seek explicit assurances concerning specific risk areas and

require proponents to affirm their commitment to specific contractual terms addressing these concerns.

(i) Contractual Measures

TransAlta's contracts include appropriate verification, notification requirements, audit, and inspection clauses, and we reserve the right to conduct inspections, assessments and audits to ensure that suppliers comply with applicable laws, rules, and standards, including those related to human rights. In addition, our standard terms require suppliers to commit to adhering to the principles and standards in our Supplier Code and to requiring their own suppliers to commit to similar principles and standards. TransAlta also reserves the right to discontinue business relationships in cases of non-adherence to the Supplier Code.

Our suppliers are obligated to take reasonable steps to ensure that goods and services are procured from ethical sources. This includes refraining from benefiting, directly or indirectly, from child or forced labour or any other discriminatory work practices.

Furthermore, TransAlta may request that a supplier provides information about its corporate structure (including relevant subcontractors), its policies (including those related to forced labour and child labour), and the steps the supplier has taken to assess, manage, remediate, or provide training in regard to the principles and requirements covered by the Supplier Code.

(j) Ongoing Monitoring

Compliance monitoring is a central focus for TransAlta. In line with a risk-based approach, we may initiate periodic reassessments linked to contract renewals or anniversaries.

We are committed to continually enhancing various measures, including the terms outlined in our suppliers' contracts, alongside proactive monitoring of diverse information sources, such as the Uyghur Forced Labour Prevention Act Entity List, Global Affairs Canada advisories, industry group updates, and non-governmental organization websites to identify suppliers at risk.

6. Risks in TransAlta's Operations and Supply Chains

(a) TransAlta's Operations

We have assessed the risk of forced labour or child labour in our operations to be low for the following reasons:

- TransAlta's workforce exists only within Canada, the United States, and Australia, which have comprehensive and robust labour, employment, and human rights laws.

- All site operational and office staff are hired in accordance with the laws and regulations in the jurisdictions where we operate.
- During the onboarding process, we conduct checks related to the right to work and ensure that individuals are choosing to work of their own free will.
- A portion of our workforce is represented by strong prominent labour unions.
- All staff have the freedom to join a trade union or other association.
- TransAlta benchmarks all the roles against three different remuneration surveys.

(b) TransAlta's Supply Chains

For TransAlta, our supply chains, organizations that provide goods or services, play a key role in our ability to satisfy our social responsibility commitments and sustainability objectives. We strive to work with suppliers who are leaders in their industries, adhere to our fundamental policies and procedures, and share our commitment to meet the highest standards relating to human rights.

Like many entities operating within the energy sector, and particularly the renewable energy space, we recognize risks of forced labour and child labour may exist in our supply chains. As outlined by the United Nations Guiding Principles on Business and Human Rights, our primary exposure to forced labour is expected to be beyond the second tier¹ of our third-party relationships rather than direct causative impacts or contributory actions of our business.

This is particularly relevant in the following higher-risk sectors and products:

- solar panels;
- battery energy storage equipment;
- wind turbines;
- engineered equipment;
- information and communications technologies;
- industrial consumables;
- electronics and electrical hardware; and
- freight services.

During the Reporting Period, TransAlta has not identified any instances of modern slavery or child labour in its supply chains or operations. No remedial steps have been deemed necessary at this time, including related to remediation of income loss to the most vulnerable families that results from remediation measures.

C. STEPS TO MANAGE AND ASSESS RISK

1. TransAlta's Operations

TransAlta is dedicated to fostering a work environment where all employees feel secure and are valued. TransAlta's Code outlines the expected behavior of individuals doing work for TransAlta. Employees are required on an annual basis to complete mandatory Code training and to acknowledge in writing its requirements. This training was updated and provided to employees during the Reporting Period.

2. TransAlta's Supply Chains

We have taken proactive steps to enhance supplier risk identification, assessment, analysis, remediation, and monitoring. We risk map of our supplier base to evaluate critical suppliers, group and prioritize them, identify potential vulnerabilities, and assess controls in place. We examine the geographic location of suppliers, differentiating between Organization for Economic Cooperation and Development (OECD) and non-OECD regions, complexity of their supply chains, especially those leading to areas known for forced or child labour, industry-specific risks linked to human rights and labour practices, the critical or unique nature of the products procured versus commodity items, the duration of the supply relationships, and overall spend.

Following the risk mapping, assessment, and analysis, no instances of forced labour or child labour were identified during the Reporting Period. However, we have classified certain goods and services as medium risk, such as transformers, due to their manufacturing origin in China, and freight services, given the inherent risk for some modern slavery practices within the shipping industry. That said, we predominantly procure freight services from low-risk jurisdictions. We are also aware of the elevated risks of forced and child labour associated with certain renewable energy technologies, such as wind turbines, solar panels, and batteries. However, no such goods were purchased during the Reporting Period.

Certain manufacturing regions and materials carry a higher risk of forced labour due to its prevalence in specific countries. We understand that many of our direct suppliers rely on global supply chains to provide goods and services to us, which presents challenges in obtaining visibility beyond the first tier.¹ As a whole, considering the factors and processes set out above, we view the risks of forced labour or child labour in our supply chains as low.

(1) Tier Two: supplier of goods or services directly to Tier One suppliers. Tier Two suppliers are subcontractors who may not have a direct relationship with the client company. Tier Three: suppliers of raw material or base product to Tier Two suppliers. Tier Three suppliers may, for example, provide minerals for the manufacture of products by Tier Two suppliers.

3. Employee Training

In addition to annual, mandatory Code training during the Reporting Period, we successfully developed and delivered mandatory employee training on forced labour and child labour to all employees involved in the procurement of goods and services. This training covered essential aspects of responsible procurement and sustainability-focused supplier management, including recognizing indicators of human trafficking behaviors. Participants explored the concept of forced labour in depth, examined international treaties and definitions, and learned about key indicators and "hot geographies" where forced labour is more prevalent. The training also addressed reporting legislation, trade and government contracting prohibitions, the role of the Canadian Ombudsperson for Responsible Enterprise, as well as potential litigation and reputational risks.

Through practical applications, the training equipped TransAlta employees with the necessary tools and awareness to promote responsible procurement practices, fostering a culture of ethical and sustainable sourcing within the organization.

D. ASSESSING EFFECTIVENESS OF OUR ACTIONS

TransAlta understands that it has a responsibility to assess and mitigate the risks of modern slavery in its operations and supply chains over the long term. The Board has overall responsibility for the strategy around modern slavery. It has delegated to the Governance, Safety and Sustainability Committee the development of strategies, policies and practices to create value consistent with the long-term preservation and enhancement of shareholder value and social wellbeing, including human rights, working conditions and responsible sourcing.

We are committed to continuously enhancing our program to identify, assess, and manage modern slavery risks in our operations and supply chains. When evaluating the immediate effectiveness of our modern slavery program, we focus on reviewing the operation of existing processes and systems, identifying gaps or opportunities to refine our approach, and designing and implementing improvements to address identified issues.

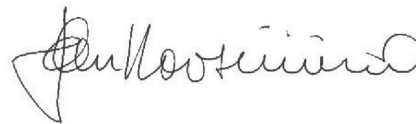
During the course of 2025, we plan to:

1. Continue reviewing and analyzing ESG data from our supplier network, with a focus on gaining deeper insights into the upstream sourcing of materials, equipment, and services provided by our key vendor partners to support both growth and operations.
2. Establish a vendor management database to formally record the assessment of modern slavery risk and commitment to the Supplier Code by our suppliers.
3. Continue to enhance our internal due diligence tools and processes, including, but not limited to, updating our Vendor Onboarding Questionnaire forms.
4. Advance the integration of Heartland into TransAlta's compliance framework.
5. These improvements will further advance our efforts to prevent and reduce the risk of forced labour and child labour in our business and supply chains, aligning with our mission to uphold the highest standards of ethical and responsible business practices.

E. CONSULTATION AND APPROVAL

In accordance with the Act, specifically section 11 thereof, I attest I have reviewed the information contained in the Report for the TransAlta entities listed above. Based on my knowledge and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind TransAlta Corporation.



Full name: John H. Kousinioris
Title: President and Chief Executive Officer
Date: Feb. 19, 2025