

TRANSALTA CORPORATION
(the “Corporation”)

Terms of Reference for the Chair of the Board

I. Introduction

The Board of Directors (the “Board”) is responsible for the stewardship of the Corporation and ultimately accountable to the shareholders for the management of the Corporation. It approves the Corporation’s strategic plans and monitors the Corporation’s performance and progress in meeting both its long and short-term goals. The Board also exemplifies the highest ethical standards and requires that such standards be observed at all levels of the Corporation.

II. Chair Profile

The Chair of the Board (the “Chair”) provides overall leadership to enhance the effectiveness of the Board. The Chair ensures that the Board, its Committees and individual directors understand their responsibilities.

III. Appointment of the Chair

The Board selects its Chair from among its members to lead the Board in the course of its work. The Chair is an independent non-management member of the Board, who reports to the Board and is responsible for the overall process involved in the work of the Board as well as the development and effective performance of the Board.

IV. Managing the Board

The Chair has the responsibility:

- a. to provide leadership to the Board and to assist the Board in its responsibilities to govern the business and affairs of the Corporation, to review and monitor the policies, strategies, risks and overall direction of the Corporation;
- b. to ensure the Board receives sufficient background information to permit it to properly make major decisions when such decisions are required;
- c. to establish the frequency of Board meetings and to review such frequency from time to time, as considered appropriate or as requested by the Board;
- d. to chair Board meetings and to co-ordinate the agenda and related events for Board meetings in conjunction with the Chief Executive Officer (“CEO”) and the Corporate Secretary and/or Assistant Corporate Secretary, as applicable;
- e. to review the need for, and the performance and suitability of, each committee and its respective function and to recommend adjustments if necessary in conjunction with advice from the Governance and Environment Committee (the “GEC”) and the CEO;
- f. to conduct Board meetings in an efficient, effective and focused manner, and to attend committee meetings when possible;

- g. to review and assess each director's attendance and performance, to review the size and composition of the Board, in conjunction with the GEC and the Board as a whole; and
- h. to work with the Chair of the GEC and the CEO, to recruit directors, as needed, in order that the Board is comprised with an appropriate mix of skills and abilities.

V. Working with Management

The Chair has the responsibility:

- a. to act as a sounding board, counselor and confidant for the CEO;
- b. to work with the CEO to review strategies, define issues, maintain accountability and build relationships;
- c. to ensure that the CEO is aware of any concerns raised by the Board, shareholders, other stakeholders or the public which comes to the attention of the Chair or the Board;
- d. to (i) lead the Board in monitoring and evaluating the performance of the CEO and senior management, (ii) together with the Board, ensure the accountability of the CEO, and (iii) together with the appropriate committee of the Board, ensure the implementation of the management succession and development plans for the CEO and the senior management team; and
- e. to work closely with the CEO to ensure that management strategies, plans and performance matters are presented, as necessary, to the Board, shareholders and relevant stakeholders.

VI. Relations with Shareholders, Other Stakeholders and the Public

The Chair has the responsibility:

- a. to chair meetings of shareholders;
- b. to provide, on behalf of the Board, an annual message to shareholders to form part of the Corporation's Annual Report to Shareholders; and
- c. in conjunction with the CEO and relevant committees, to participate or assign to a Board delegate the responsibility to represent the Board, when appropriate, at official functions and meetings with major shareholder groups and other stakeholder groups.