

Human Capital

Engaging our workforce, developing our employees and minimizing safety incidents are the keys to human capital value creation at TransAlta. The most material impacts on our human capital performance are having an engaged workforce and keeping our employees safe.

As of Dec. 31, 2019, we had 1,543 (2018 - 1,883) active employees. This number has decreased by 18 per cent from 2018 levels, following a reduction in positions at our coal fleet aligned to changes in the plant portfolio and from multiple initiatives across the business that used technology to reduce costs and increase efficiency.

With approximately 45 per cent of our employees being unionized, we strive to maintain open and positive relationships with union representatives and regularly meet to exchange information, listen to concerns and share ideas that further our mutual objectives. Collective bargaining is conducted in good faith, and we respect the rights of employees to participate in collective bargaining.

Organizational Culture and Structure

Our employees are central to value creation. Our corporate culture has evolved and adapted throughout our more than 100-year heritage. Our core values are safety, innovation, sustainability, respect and integrity. These five core values help provide clarity for our employees and guide our behaviour and decision making. They also provide a foundation for leadership, collaboration, community support, personal growth and work/life balance. Through corporate initiatives and support throughout all levels of leadership, we encourage our employees to maximize their potential.

Our six-level organizational structure helps facilitate effective pace and decision-making in our organization. Our business operates as a business-centric model, with Canadian Coal, US Coal, Canadian Gas, Australian Gas, Wind and Solar, and Hydro as our six generating segments. In addition, our Energy Marketing segment optimizes our asset fleet and trades electricity and other energy commodities. Our Corporate segment, including finance, legal, administrative, business development and investor relations functions, oversees our business and provides strategic alignment. The Corporation also includes a Shared Services division which oversees our information technology, supply chain, human resources, engineering and accounting functions. The consolidation and centralization of these functions has allowed us to streamline, standardize and where appropriate automate these functions while reducing costs and improving service delivery across the organization. Our operations portfolio is run by a single leadership team, which provides operational and financial synergies, enhancing our competitiveness.

TransAlta is committed to improving its internal work environment and the way that employees perceive their work and the Corporation. We track a broad number of factors to provide us insight into our progress and we use a third party to assist us in tracking our progress on an annual basis. We have made continual and notable improvements year over year and continue to target further improvements as we look forward.

Health and Safety

The safety of our people, communities and the environment is one of our core values. At TransAlta, we operate large and often complex facilities. The environments in which we work, including Canadian winters and the Australian outback, can add additional challenges to keeping our employees, contractors and visitors safe. Each year we invest significant resources into improving our safety performance, including positively enhancing our safety culture. At meetings of more than four people, we have a practice of starting the meeting with a "safety moment", which helps share key safety learnings across the Corporation.

TransAlta's management systems underpin the delivery of safe, reliable and competitive electricity to our customers and partners. Our Total Safety Management System (TSMS) is a combination of recognized best practices in process safety, risk management, asset management, occupational health, safety and environmental management. Since expanding our Occupational Health and Safety program in 2015 to encompass Total Safety, we have transitioned from development and implementation of this framework into continuous improvement, always striving to achieve our Target Zero vision to operate our business with zero unexpected asset failures and zero environmental, health and safety incidents.

In 2019, we continued to progress our safety culture transformation and have provided employees with behavioural safety training tools and capabilities to improve both their personal safety and that of their coworkers.

In 2017, we introduced the Total Injury Frequency (TIF) metric to track the total number of injuries including minor first aids, relative to exposure hours worked.

In 2019, we achieved a TIF of 1.12 compared to 1.91 in 2018. This decrease was a direct result of our back-to-basics approach with respect to safety. Specifically, in 2019, we focused on hazard identification (including audits and inspections), housekeeping and improved contractor management practices across the fleet.

In addition to TIF, we are also tracking Total Recordable Injury Frequency (TRIF). TRIF tracks the number of more serious injuries and excludes minor first aids, relative to exposure hours worked. TRIF provides us with the opportunity to target and monitor our significant injuries. It is also an industry-recognized safety metric and allows us to compare and benchmark our safety performance to that of our peers. Our TRIF result for 2019 was 0.73 compared to 1.00 in 2018.

Safety at TransAlta (employees and contractors)	2019	2018	2017
Lost-time injuries	5	1	6
Medical aids	7	12	15
Restricted work injuries	3	12	16
First aids	8	23	67
Total TIF injuries	23	48	104
Exposure hours	4,106,898	5,014,804	6,073,419
Total Injury Frequency (TIF)	1.12	1.91	3.42
Total Recordable Injury Frequency (TRIF)	0.73	1.00	1.22

Gender Diversity

A number of case studies have highlighted the link between gender diversity and additional business value. TransAlta is an active supporter of gender diversity as a driver for value, but also as an ethical business practice. Our commitment to gender diversity in our business is evidenced by our female participation rates on both our executive team and Board. As of Dec. 31, 2019, women made up 50 per cent of our executive officer team and 33 per cent of our Board. These percentages are higher than our peers in Canada. Industry research highlights that the percentage of Board seats held by women from all disclosing Canadian TSX-listed companies in Canada is 18.1 per cent and the average percentage of women on executive teams is 16.9 per cent.

To further support female advancement, we have set targets to: (i) maintain equal pay for women in equivalent roles, (ii) achieve 50 per cent representation of women on our Board by 2030 and (iii) achieve 40 per cent representation of women among all employees by 2030. Currently, women employees represent 20 per cent of all employees.

In early 2020, TransAlta was one of 325 companies globally to be added to the Bloomberg Gender Equality Index. Inclusion in the index recognizes our comprehensive investment in workplace gender equality and our commitment to driving progress by developing inclusive policies and disclosing data using Bloomberg's gender reporting framework.

Employee Retirement Savings Programs

TransAlta is an attractive employer in all three countries in which we operate. We provide compensation to our employees at levels that are competitive in relation to their respective location. 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.

Retirement savings plans are an example of rewards we provide. We have registered pension plans in Canada and the US. The plans cover substantially all employees of the Corporation, its domestic subsidiaries and specific named employees working internationally. These plans have defined benefit ("DB") and defined contribution ("DC") options, and in Canada there is an additional non-registered supplemental pension plan ("SPP") for members whose annual earnings exceed the Canadian income tax limit. The DB SPP was closed as of Dec. 31, 2015, and a new DC SPP commenced for only executive members hired after Jan. 1, 2016. Current executives as of Dec. 31, 2015, were grandfathered in the DB SPP.

The Canadian and US DB pension plans are closed to new entrants, with the exception of the Highvale mine (SunHills) pension plan acquired in 2013. The US DB pension plan was frozen effective Dec. 31, 2010. The plans are funded by the Corporation in accordance with governing regulations and actuarial valuations. In addition, in Canada, we provide some optional plans for employees to enhance their financial wellness and retirement savings, with group RRSP and TFSA plans.

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.