

**TRANSALTA CORPORATION**  
**(the "Corporation")**

**HUMAN RESOURCES COMMITTEE CHARTER**

**Operating Principles**

The Human Resources Committee (the "Committee"), as delegated by the Board, governs the overall Human Resource policies and practices of the Corporation. In exercising this mandate, the Committee provides full and transparent reporting of all Policy and Program designs, changes and practices to the Board consistent with the approved Human Resource and Compensation policies of the Corporation. The Committee has full delegated authority to approve policies, plan designs and compensation changes for all executives and officers excluding the CEO where the Board retains the authority for approval.

**A. Establishment of Committee and Procedures**

1. Composition of Committee

The Human Resources Committee of the Board of Directors (the "Board") of TransAlta Corporation (the "Corporation") shall be comprised of not less than three Directors. All members of the Committee shall, in the judgment of the Board, be independent and shall meet applicable independence or other requirements of applicable laws, stock exchanges or regulatory bodies. Determinations as to whether a particular Director satisfies the requirements for membership on the Committee shall be made by the Board at the recommendation of the Governance, Safety and Sustainability Committee.

2. Appointment of Committee Members

Members of the Committee shall be appointed from time to time by the Board on the recommendation of the Governance, Safety and Sustainability Committee, and shall hold office until the next annual meeting, or until their successors are earlier appointed, or until they cease to be Directors of the Corporation.

3. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board at the recommendation of the Governance, Safety and Sustainability Committee. The Board shall fill any vacancy if the membership of the Committee is less than three Directors.

4. Committee Chair

The Board shall appoint a Chair for the Committee on the recommendation of the Governance, Safety and Sustainability Committee.

5. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee, present at the meeting, shall be chosen by the Committee to preside at the meeting.

6. Secretary of Committee

The Committee shall appoint a Secretary who need not be a Director of the Corporation.

7. Meetings

The Committee shall meet at least 4 times annually, and additionally at such times during each year as it deems appropriate to fulfill its responsibilities. The Chair of the Committee may call a regular meeting of the Committee. In addition, the Chair of the Committee or any two members may call a special meeting of the Committee at any time. The Committee shall meet separately in camera (without Management) at each regularly scheduled Committee meeting.

8. Quorum

A majority of the Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

9. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication or email) to each member of the Committee at least 48 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10. Attendance at Meetings

At the invitation of the Chair of the Committee, other Board members, the Corporation's President and Chief Executive Officer (the "CEO"), other officers or employees of the Corporation, experts or consultants may attend a meeting of the Committee.

11. Procedure, Records and Reporting

Subject to any statute or articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board, generally not later than the next scheduled meeting of the Board that follows a Committee meeting.

12. Review of Charter and Evaluation of Committee

The Committee shall evaluate its performance and review and assess the adequacy of its Charter annually or otherwise, as it deems appropriate, and propose changes to the Governance, Safety and Sustainability Committee for approval.

13. Outside Experts and Advisors

The Committee is authorized, at the expense of the Corporation, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors to advise the Committee independently on any matter. In retaining such external advisors, the Committee shall take into consideration:

- (a) what other services the external advisors or their respective firms provide to the Corporation, if any;
- (b) the amount of fees the external advisors or their respective firms receive from the Corporation as a percentage of its revenue;
- (c) the policies and procedures related to conflicts of interest of the external advisors;
- (d) any business or personal relationship between the external advisors and the members of the Committee;
- (e) any stock of the Corporation owned by the external advisors; and
- (f) any business or personal relationship between the external advisors and an executive officer of the Corporation.

The retention of an external advisor in no way requires the Committee to act in accordance with the recommendations of such external advisor.

The Committee shall review annually the engagement and scope of work conducted by each external advisor.

The Committee shall also undertake an annual review of each external advisor's performance.

**B. Duties and Responsibilities of the Chair**

The fundamental responsibility of the Chair of the Committee is to effectively manage the duties of the Committee.

The Chair is responsible for:

1. Chairing meetings of the Committee and ensuring that the Committee is properly organized so that it functions effectively and meets its obligations and responsibilities; and establishing the frequency of Committee meetings, duly convening the same and confirming that quorum is present when required.
2. Working with the CEO, Executive Vice President, People, Talent & Transformation, and the Executive Vice President, Legal, Commercial & External Affairs and Corporate Secretary or Assistant Corporate Secretary on the development of agendas and ensuring that required materials for effective decision making are provided to the Committee.
3. Providing leadership to the Committee and assisting the Committee in ensuring the proper and timely discharge of its responsibilities.
4. Reporting to the Board on the recommendations and decisions of the Committee.

### **C. Mandate of the Committee**

The Committee is empowered by the Board to review and approve key compensation and human resources policies for the Corporation which are intended to attract, recruit, retain and motivate the employees of the Corporation. The Committee's mandate includes: development of the compensation and benefits philosophy for the Corporation's executives; considering the attraction and retention of key management personnel; the review and adoption of cash and equity-based incentive/compensation plans; assessing the alignment and risks embedded within the plans; the adoption of policies which support human rights and respect the values and beliefs of the Corporation; the review and approval of executive management succession and development plans; compensation risk. The Committee also reports annually to the shareholders of the Corporation, in the Corporation's Management Proxy Circular, on the compensation of the Corporation's executive and the Corporation's compensation plans.

The CEO is responsible for overall management of the Corporation's human resources including the human resources strategy and the assessment of its effectiveness. Through its collective experience, the Committee also provides input and advice to the CEO and management on human resources matters.

### **D. Duties and Responsibilities of Committee**

#### **1. Human Resources Policy**

Review, approve and report to the Board the human resources policies, practices and structures of the Corporation, as well as compliance with regulatory requirements, to provide consistency with the strategic plan, support of operational effectiveness and efficiency, and maximization of human resources potential.

#### **2. Compensation Philosophy and Design**

- (a) Establish and recommend to the Board for approval the Corporation's compensation philosophy, and oversee the ongoing development and implementation thereof;
- (b) review, approve and report to the Board changes to the Corporation's compensation and benefit programs;
- (c) review and recommend to the Board for approval the establishment of and amendments to any equity-based compensation plan or program. Equity-based compensation plans or programs include all compensation arrangements that may result in the issuance of equity or the re-purchase of equity to satisfy the compensation obligation;
- (d) review, approve and report to the Board the establishment of and amendments to any executive cash incentive plan or program;
- (e) review, approve and report (recommend for the CEO) to the Board any changes to agreements which specify compensation payments to be made in the event of involuntary termination or termination following a change in control of the Corporation;

- (f) assess competitive positioning of compensation relative to the marketplace measuring competitiveness by reference to data from a comparator group of companies with which the Corporation competes for executive talent;
- (g) review and approve the Corporation's annual salary planning guidelines, targets and goals for the Corporation's incentive compensation plans; and
- (h) review annually the Corporation's comparator group and approve revisions as required.

3. CEO Appointment, Evaluation and Compensation

- (a) Review and recommend to the Board for approval the appointment of the CEO, the CEO's compensation and the terms of any employment or employment or termination-related agreements;
- (b) review and recommend to the Board for approval proposed changes to the role and responsibilities of the CEO;
- (c) review and recommend to the Board for approval the CEO's annual goals and objectives;
- (d) evaluate the CEO's performance in relation to those goals; and
- (e) review and recommend to the Board for approval annual changes in the salary, short-term incentives, long-term incentives, benefits and other compensation for the CEO.

4. Appointment, Evaluation and Compensation of Other Officers

- (a) Review and recommend to the Board for approval the appointment of all officers;
- (b) review, approve and report to the Board the salaries, short-term incentives, long-term incentives (equity-based plans recommended to the Board for approval), benefits and other compensation for the CEO's direct reports who are officers, or other officers as determined by the Committee;
- (c) review and recommend to the Board for approval any special compensation award to an officer that is not permitted within an approved compensation plan or program, and
- (d) subject to any applicable statutory requirements, review approve and report to the Board the termination of and severance provisions for all officers.

5. Risk Assessment

Require that a compensation risk assessment be conducted annually to provide for consideration of the following risks:

- (a) incentive opportunities that motivate excessive or unnecessary risk taking;
- (b) pay structures that encourage behaviours that destroy long-term value;

- (c) pay and performance that are not appropriately aligned; and
- (d) payouts that are not aligned with the Corporation's business strategy.

6. Pension and Other Benefits

- (a) review and recommend to the Board for approval amendments to the Employee Retirement Pension Plans or similar plans (other than statutory changes) relating to benefit changes or entitlements. Benefit amendments resulting in additional funding requirements or costs to the Corporation will also be reviewed with the Audit, Finance and Risk Committee prior to being recommended to the Board for approval;
- (b) together with the Audit, Finance and Risk Committee of the Board, review annually and, otherwise as may be required, the overall governance of the Corporation's Pension Plans, including the plan's terms of reference and investment policies and approve the broad objectives of the plan(s) and any material changes to the plan(s) and report to the Board annually;
- (c) appoint the members of the Pension Committee;
- (d) together with the Audit, Finance and Risk Committee, review and recommend annually to the Board the approval annual pension report; and
- (e) review and approve all material benefits and perquisites granted to the Corporation's officers below the CEO, and recommend to the Board for approval all benefits and perquisites for the CEO.

7. Organization Change, Management Development and Succession Planning

- (a) Review and recommend to the Board for approval substantial changes to the Corporation's organizational structure and/or responsibilities of senior management;
- (b) establish and review the succession plan for the CEO and the CEO's direct reports annually and review and report to the Board on the plan annually; and
- (c) review and approve management succession and development plans for other key management personnel.

8. Outside Directorships

As required, provide advice to the Governance, Safety and Sustainability Committee with respect to the advisability of outside directorships (including appointments to advisory boards, counsels and charities) for the CEO and the CEO's direct reports.

9. Disclosure Reporting

Review and recommend to the Board for approval all public disclosure documents relating to executive compensation, including the Corporation's Compensation Discussion and

Analysis in the Management Proxy Circular, the Committee's report, and such other disclosure as may be required.

10. Report to the Board

Report to the Board on matters reviewed and make recommendations for Board approval as appropriate.