

Positive Indigenous, Stakeholder and Customer Relationships: Social and Relationship Capital Management

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.

Human Rights

We operate in Canada, the US and Australia. All of these countries have high human rights standards. TransAlta respects the fundamental human rights of all its employees, contractors, suppliers, partners, Indigenous partners and other stakeholders. We abide by human rights legislation in all the jurisdictions in which we operate. We have a zero tolerance approach to discrimination based on age, disability, gender, race, religion, colour, national origin, political affiliation or veteran's status or any other prohibited ground as defined by human rights legislation in the jurisdictions in which we operate. We afford equal opportunities for men and women, support the right to freedom of association and the right to organize unions and bargain collectively. We do not conduct operational human rights reviews or impact assessments, but we do continue to operate aligned with the highest ethical standards, such as ISO 14001 and ISO 18001.

Indigenous Relationships and Partnerships

At TransAlta, we value our relationships and partnerships with stakeholders and our Indigenous partners. 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 fulfils 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.

Methods of engagement include:

- Relationship building through regular communication and in-person meetings with representatives at various levels within Indigenous community organizations;
- Hosting company-community activities that share both business information and cultural lessons;
- Maintaining consistent communications with each community and following appropriate community protocols and procedures;
- Participating in community events such as pow wows and blessing ceremonies; and
- Providing both monetary and in-kind sponsorships for community initiatives.

TransAlta is proactive with initiating engagement early on in project development to allow concerns to be identified promptly and addressed, minimizing potential project delays. We conduct consultation primarily during project development and decommissioning and maintain engaged communication throughout the operation phase. We work with communities to build a relationship with a foundation of ongoing communication and mutual respect.

COVID-19 health measures posed challenges to how we engaged with Indigenous communities throughout 2020. However, we continued to have regular dialogue by telephone, email, video conference and whenever possible, in small group meetings while adhering to government health protocols. Our normal participation in Indigenous community events such as pow wows, blessing ceremonies, and school or recreational activities was not possible as social gatherings were not permitted during the pandemic. In response, our Indigenous Relations team determined it was important to reallocate funding for social events to support Indigenous communities and their expressed needs.

Support from TransAlta for Indigenous communities in response to the pandemic included the:

- Purchase and distribution of 400 school backpacks filled with grade-specific school supplies delivered to First Nation schools in Alberta to help alleviate pressures on household and community resources;
- Purchase of more than 200 Christmas gifts for school students at Mother Earth's Children's Charter School and Wihnemne School on Paul First Nation;
- Purchase of Christmas gift cards for Elders per requests from Piikani and Siksika Nations; and
- Funding for the purchase of COVID-19 testing equipment for the Alexis Nakota Sioux Nation.

Support for Indigenous Youth, Education and Employment

TransAlta recognizes the importance of investing in Indigenous students and our financial support helps students complete their education, become self-sufficient and give back to their communities. We are keen to help young Indigenous students reach their full potential and achieve their dreams. We also believe in providing financial support to Indigenous primary school students, helping to instill a passion for lifelong learning. In 2020, TransAlta provided more than \$340,000 to support Indigenous youth, education and employment programs across Canada.

Highlights include:

- Entered into an agreement with Mount Royal University Foundation in support of the Indigenous Housing Renovation Fund, which will feature an Indigenous family tipi in an outdoor space dedicated to Indigenous students and supporting Indigenous cultural programming;
- Continued our partnership with Indspire, Canada's national Indigenous registered charity, and through this program, 10 bursaries of \$3,000 each were given to recipients from the following communities: Ermineskin Cree Nation, Paul First Nation, Sunchild First Nation, Piikani Nation and Aamjiwnaang First Nation;
- Continued our support of Indigenous students with the Southern Alberta Institute of Technology ("SAIT") Gap program. This program provides critical financial support needed for aspiring Indigenous students who require high school upgrading in order to qualify for a trade program where there is a "gap" in available funding;
- In partnership with the United Way of Calgary & Area, designated funding to the Diamond Willow Youth Lodge, a safe place for Calgary Indigenous youth to connect with peers and participate in a variety of programs that promote health and wellness, education and employment preparation;
- Provided funding to the Lac Ste. Anne Métis Capacity Fund to support the training needs of community members including youth and women, and the provision of personal protective equipment for individuals entering the workforce; and
- Continued our ongoing partnership with the Banff Centre for Arts and Creativity with scholarship funding allocated to Indigenous community members to participate in Indigenous Leadership programming.

Cultural Awareness for TransAlta Employees

Our Indigenous Relations team led two cultural awareness initiatives for TransAlta employees in 2020. The first program was launched in June in recognition of National Indigenous History Month and National Indigenous Peoples Day (June 21). TransAlta hosted a virtual Lunch and Learn session featuring an interview with a community member from Paul First Nation and TransAlta's senior advisor for Indigenous & Stakeholder Relations, moderated by our Chief Legal, Regulatory, & External Affairs Officer. On Sept. 30, 2020, in recognition of Orange Shirt Day, TransAlta's Executive Leadership Team encouraged all employees to wear orange to promote awareness in Canada about the Indian residential school system and the impact it has had on Indigenous communities for over a century. In addition, a comprehensive educational program was designed and delivered to Operations leaders providing information on Indigenous history, culture, consultation requirements and TransAlta's relationship protocols and practices.

In 2021, we adopted a new sustainability target stating that all employees should complete Indigenous cultural awareness training by the end of 2023. We believe education is a key ingredient to ensure respectful and strong relationships into the future.

Stakeholder Relationships

Fostering relationships with our stakeholders is important to TransAlta. Driven by our values, we seek to maximize value creation for our stakeholders and the Corporation. We take a proactive approach to building relationships and understanding the impacts our business may have on local stakeholders.

TransAlta Stakeholders

To act in the best interests of the Corporation and to optimize the balance between financial, environmental and social value for both our stakeholders and TransAlta, we seek to:

- Engage regularly with stakeholders about our operations, growth prospects and future developments;
- Consider feedback and make changes to project designs and plans to resolve and/or accommodate concerns expressed by our stakeholders; and
- Respond in a timely and professional manner to stakeholder inquiries and concerns and work diligently to resolve issues or complaints.

Our stakeholders are identified through stakeholder mapping exercises conducted for each facility and prospective project development or acquisition. Through decades of stakeholder relations in the areas of our facilities, we have developed a strong knowledge of who our stakeholders are and have gained understanding of our stakeholders' issues and concerns.

Our principal stakeholder groups are listed in the following table.

TransAlta Stakeholders		
Non-governmental organizations (NGOs)	Community associations and organizations	Connecting transmission facility operators
Regulators	Industry organizations	Communities
Charitable organizations/Non-profit	Standards organizations	Retirees
All levels of government	Media	Residents/Landowners
Suppliers	Business partners	Investor organizations
Contractors	Unions/Labour organizations	Financial institutions
Government agencies	Forest associations/Industry	Mineral rights owners
System operators	Oil & gas associations/Industry	Railroad owners
Customers	Think tanks	Utility owners
Municipalities	Academics	

Engagement Framework

Our stakeholder engagement framework is modelled after and closely tied to the stakeholder engagement aspect of ISO 14001, which is an internationally recognized environmental management standard. This framework is a streamlined corporate-wide approach to ensure that engagement and relationship-building practices are consistent across TransAlta's locations and types of work. Although we no longer certify under ISO 14001, we continue to operate within its established best practices.

Methods of Engagement

In order to run our business successfully, we maintain open communication channels with stakeholders. We commit to timely and professional resolution using values-based dialogue. We work internally and with each stakeholder to identify how to mitigate further issues.

Examples of our methods of engagement are listed in the following table.

Information & communication	Dialogue & consultation	Relationship building
Open houses, town halls and public information sessions	In-person meetings with local groups and communities	Community advisory bodies
Newsletters, telephone conversations, emails and letters	Meetings with individual stakeholders (e.g., landowners and residents)	Capacity agreements
Websites	Targeted audience sessions	Sponsorships and donations
Social media postings	Tours of our facilities and sites	Hosting events

A key focus of our work is to support business growth through proactive engagement with stakeholders in our geographic operating areas in Australia, Canada and the US to develop and maintain relationships, assess needs and fit, and seek out collaborative and sustainable value creation opportunities. This helps ensure any stakeholder concerns are identified and can be addressed early in the development process, thereby minimizing project delays. We conduct consultation primarily during project development and decommissioning and maintain engaged communication throughout operations. For example, we implemented our stakeholder engagement program with stakeholders and Indigenous groups in connection with the proposed repowering at the Sundance and Keephills facilities. We filed our regulatory applications in December 2019, and our stakeholder engagement program will continue for the entire life cycle of the facilities.

Engagement Tracking and Reporting

Our Stakeholder and Indigenous Relations tracking program functions as an enterprise-wide communication record-keeping tool managed by our Stakeholder and Indigenous Relations team. This capacity fulfils our requirements for consultation with stakeholders and Indigenous groups alike, and is capable of producing regulatory reports as proof of engagement and consultation efforts. The tool can store email conversations, documents and voicemail messages related to any project, event or issue, and display them in a report format. It can also produce an array of statistical reports showing frequency and volume of engagement based on project, stakeholder, stakeholder group or keywords. This tracking program decreases the time and cost required to submit proof of engagement to government agencies.

Engagement and Board Communication

The Board believes that it is important to have constructive engagement with its shareholders and other stakeholders and has established means for the shareholders of the Corporation and other stakeholders to communicate with the Board. For example, employees and other stakeholders may communicate with the Board through the AFRC by writing to the AFRC or by making submissions via the Corporation's toll-free telephone or online Ethic Helpline (please refer to the "Governance and Risk Management - Risk Controls - Whistleblower System" section in this MD&A for more details). Shareholders are also invited to communicate directly with the Board under the Corporation's Shareholder Engagement Policy, which outlines the Corporation's approach to proactive director-shareholder engagement at and between the Corporation's annual shareholders meetings. Under the Shareholder Engagement Policy, shareholders can submit questions or inquiries to the Board, to which the Corporation will respond. A copy of the Shareholder Engagement Policy is available on our website at www.transalta.com. Shareholders and other stakeholders may, at their option, communicate with the Board on an anonymous basis. In addition, the Board has adopted an annual non-binding advisory vote on the Corporation's approach to executive compensation (say-on-pay). The Corporation is committed to ensuring continued good relations and communications with its shareholders and other stakeholders and regularly evaluates its practices in light of any new governance initiatives or developments in order to maintain sound corporate governance practices.

Throughout 2020, representatives of the Board engaged extensively with the Corporation's significant shareholders. Specifically, since Jan. 1, 2020, the Board has met with 11 shareholders representing approximately 37 per cent of the Corporation's total issued and outstanding common shares.

Supply Chain – Sustainable Sourcing

We continue to seek solutions to advance supply chain sustainability. In 2020, we worked to optimize our global supply chain management operations by initiating the centralization and standardization of practices across our global operations. As we explore major projects, we assess vendors both at the evaluation stage and as part of information requests on such elements as safe work practices, environmental practices and Indigenous spend. This means, for example, getting information on:

- Estimated value of services that will be procured through local Indigenous businesses;
- Estimated number of local Indigenous persons that will be employed;
- Understanding overall community spend and engagement; and
- Understanding the state of community relations through interview processes and stakeholder work.

In 2019, the Board adopted a Supplier Code of Conduct that applies to all vendors and suppliers of TransAlta. Under this code, suppliers of goods and services to TransAlta are required to adhere to our core values, including as they pertain to health and safety, ethical business conduct and environmental leadership. The code also allows suppliers to report ethical or legal concerns via TransAlta's Ethics Helpline.

In addition, we rolled out a Supplier Relationship and Performance Management program in 2020 with a few of our key and strategic suppliers. The goals of the program include ensuring alignment of our suppliers' goals with those of TransAlta, streamlining communications while providing a platform to discuss how to elevate performance, creating value through access to innovative ideas and working closely with the suppliers on executing activities more cost-effectively.

Public Health and Safety

We seek to preserve public health and safety. It is our goal to maintain security for our employees and the peoples and communities where we operate.

We specifically look to minimize the following risks:

- Harm to people;
- Damage to property;
- Operational liability; and
- Loss of organizational reputation and integrity.

We work to prevent incidents and lower our risk by administering security controls such as restricting physical access around and into our operating facilities. The use of security technology such as surveillance cameras and electronic access is utilized to ensure the control of secure areas. Regular audits and security risk assessments are conducted to ensure continuous improvement of the Security Management Program. Our Security Management Program is focused on protection of people, property, information and reputation.

The Corporate Emergency Management Program prepares employees should an emergency incident occur. The program includes an emergency management policy and standard, which sets an expectation for employees to continuously prepare for emergencies. The program has executive sponsorship. It provides the overarching framework for each business unit to provide an Emergency Response Plan and Business Continuity Plan. We implement our Incident Command System, which is a standardized on-scene emergency and incident management system that provides an organizational structure able to respond to single or multiple incidents. Designed to aid in the management of resources during incidents, it combines facilities, equipment, personnel, procedures and communications operating within a common organizational structure. It is used as part of an all-hazards approach for incident management and is officially recognized for multi-agency response in emergency situations, however complex.

We develop strong relationships with local emergency responders. We periodically conduct multi-agency training events at our facilities. This ensures continuous improvement, familiarity with our assets and builds strong communication channels for emergency response.

Our processes designate how we communicate with stakeholders in the event of a crisis. This is managed by our Crisis Communications Team. The team has the responsibility and goal to provide a unified message on behalf of Corporation throughout the response and recovery, ensure all messaging is approved by the Incident Commander (the Chief Talent & Transformation Officer, or their designate), co-ordinate messaging with any applicable external agencies and, if necessary, deploy to an incident site.

Annual training requirements are adhered to by our employees operating at our facilities. The results are tracked, audited and presented at our annual executive review. The findings and recommendations assist in maintaining a sustainable program across the organization.

Data and Digital Asset Protection

We work hard to protect our digital assets, including our corporate data and our digital identities that give us access into line of business applications. Cybersecurity risks that work to compromise these assets include the manipulation of data integrity, system and network hacking, use of social engineering tactics through email phishing, compromise of operations and infrastructure through the use of ransomware, credential breaches, attacks introduced through unknowing third-party vendors and service providers, as well as malware. Given the ever-evolving nature of cyberattacks, we are consistently adapting our cybersecurity program to focus on three key pillars: technology, processes and people. Each of these pillars can be reinforced independently to address specific cyber risks and threats through a comprehensive and multi-faceted program. Through this program, TransAlta continually implements measures and controls to proactively mitigate internal and external cybersecurity risks and threats posed to the organization, and to deal efficiently and effectively with threats.

Please refer to Cybersecurity Risk in the Governance and Risk Management section of this MD&A for further details.

Community Investments

In 2020, TransAlta contributed approximately \$2.2 million in donations and sponsorships (2019 - \$2.1 million). One of our significant community investments each year is to United Way campaigns across Canada and the US. This year, TransAlta employees, retirees, contractors and the Corporation raised over \$1.3 million for the United Way. TransAlta has been supporting the United Way for over 30 years and has contributed more than \$20 million dollars over that time.

In 2020, we continued to focus our community investment on priority areas for TransAlta: youth and education, environmental leadership and community health and wellness. Some of our partnerships included:

- Indspire, Canada's national Indigenous registered charity, and through this program 10 bursaries of \$3,000 each were given to recipients from the following communities: Ermineskin Cree Nation, Paul First Nation, Sunchild First Nation, Piikani Nation and Aamjiwnaang First Nation;
- Mother Earth's Children's Charter School ("MECCS") - Located in Treaty 6 territory, near Stony Plain, Alberta, and our Alberta coal operations, MECCS has become an important part of TransAlta's community investment program. MECCS offers education for students from Kindergarten to Grade 9 and is cited as Canada's first and only Indigenous children's charter school. The school was established in 2003 to help provide Indigenous students with an education based strongly on cultural context rather than a traditional western educational model. Approximately 95 per cent of MECCS students are of Indigenous ancestry, with students coming from Paul First Nation, Enoch Cree Nation, Alexis Nakota Sioux Nation, Alexander First Nation, Alberta Beach, Stony Plain and Edmonton. The student population is diverse and includes Métis, Cree, Nakota Sioux and Stoney. Beginning in 2014, TransAlta has made an annual \$35,000 donation to the school. In addition, each year at Christmas, TransAlta staff purchase Christmas presents for the students. Volunteers from TransAlta travel to the school to deliver the gifts, providing both our employees and the students the opportunity to engage with each other. Due to the COVID-19 pandemic, this tradition needed to be conducted remotely. More than 200 Christmas gifts were purchased for students at Mother Earth's Children's Charter School and Wihnemne School on Paul First Nation;
- The Calgary Stampede – Founded in 2017, the TransAlta Performing Arts Studio at Stampede Park continues to provide a year-round facility for the Calgary Stampede Foundation and Calgary's youth performing arts groups to rehearse, train and celebrate the arts;
- SAIT Gap program, which provides critical financial support needed for aspiring Indigenous students who require high school upgrading in order to qualify for a trade program where there is a "gap" in available funding;
- TransAlta Tri-Leisure Centre - The TransAlta Tri-Leisure Centre is a sporting and recreation destination for many active and involved residents from the communities of Parkland County, Spruce Grove and Stony Plain in Alberta. At the facility, thousands of local residents and many of our employees participate in a wide range of sporting and cultural activities and join together in many community causes;
- The Banff Centre for Arts and Creativity – We continued our ongoing partnership with the Banff Centre with scholarship funding allocated to Indigenous community members to participate in Indigenous leadership training;
- Junior Achievement Southern Alberta – TransAlta continued to support the World of Choices program that gives students an opportunity to connect with mentors in a number of different careers. In 2020, this program was delivered online, allowing hundreds of students to connect with mentors and learn about different career opportunities;
- Calgary Reads – TransAlta was proud to continue our support for this organization that is dedicated to improving literacy skills for children in Calgary; and
- Energy Transition Support – On July 30, 2015, in Washington State, we announced a US\$55 million community investment over 10 years to support energy efficiency, economic and community development, and education and retraining initiatives. The US\$55 million community investment is part of the TransAlta Energy Transition Bill passed in 2011. This bill was an historic agreement between policymakers, environmentalists, labour leaders and TransAlta to transition away from coal in Washington State by closing the Centralia facility's two units, one in 2020 and the other in 2025. Three funding boards were formed to invest the \$55 million: the Weatherization Board (\$10 million), the Economic & Community Development Board (\$20 million) and the Energy Technology Board (\$25 million). To date, the Weatherization Board has invested \$7 million, the Economic & Community Development Board \$14 million and the Energy Technology Board \$9 million. Specific projects that the boards funded in 2020 include energy-efficiency projects at local fire stations and low income housing, funding to support COVID-19 personal protection equipment for local businesses and schools, and a project to deploy the first renewable hydrogen fuelling station in the Pacific Northwest, which benefits both the electricity and transportation sectors.

Customers

TransAlta serves industrial and commercial customers with power and energy services across its fleet (Australia, Canada and the US). For more information on our customer focus, please refer to page 79 of this MD&A.