



TransAlta Renewables Inc.

Notice of Annual General Meeting of Shareholders
and Management Proxy Circular

Annual General Meeting April 25, 2019

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS	2
IMPORTANT NOTICE REGARDING PROXY MATERIALS AND NOTICE AND ACCESS PROCEDURES	3
MANAGEMENT PROXY CIRCULAR	4
General Information.....	4
About This Document.....	4
Additional Information.....	4
Communicating With The Board	4
Reporting Concerns	5
Shareholder Proposals.....	5
Solicitation of Proxies.....	5
Transfer Agent.....	5
Important Notice Regarding Proxy Materials and Notice-and-Access Procedures	5
ABOUT THE SHAREHOLDER MEETING	6
General Voting Information	6
Principal Owners of TransAlta Renewables Shares	6
Registered Shareholder Voting	7
Beneficial Shareholder Voting.....	8
Changing Your Vote	9
Voting Results	9
BUSINESS OF THE MEETING	10
1. Election of Directors	10
2. Financial Statements.....	19
3. Appointment of Auditors	19
4. Other Business.....	20
GOVERNANCE	20
Our Governance Practices	20
Handling Conflicts of Interest	21
Insider Trading	21
Whistleblower Procedures.....	21
The Board's Role.....	21
Board Committees.....	22
Strategic Planning	25
Risk Assessment.....	25
Internal Controls	26
Disclosure and Compliance.....	26
Diversity.....	26
Independence of Directors	26
Independent Chair of the Board	27
Meeting Without Management or Non-Independent Directors.....	27
Orientation and Continuing Education	27
Financial Literacy	28
External Consultants and Other Third Parties.....	28
Other Directorships	28
Position Descriptions.....	28
Succession Planning	28
Board Evaluations	29

Board Recruitment	29
COMPENSATION DISCUSSION AND ANALYSIS	30
Report on Director Compensation.....	30
Summary of Directors' Compensation	32
Report on Executive Compensation.....	32
Management, Administrative and Operational Services Agreement	33
Summary Compensation Table for NEOs.....	35
Performance Graph.....	37
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	37
INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON.....	38
ADDITIONAL INFORMATION.....	38
APPENDIX "A" - GENERAL GUIDELINES FOR THE BOARD.....	A-1

A NOTE ABOUT FORWARD LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including in this Management Proxy Circular, in other filings with Canadian securities regulators and in other communications. All forward looking statements are based on our beliefs as well as assumptions based on information available at the time the assumption was made and on management's experience, results and perception of historical trends, current conditions and expected future developments, as well as other factors deemed appropriate in the circumstances. Forward looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "may", "will", "believe", "expect", "anticipate", "intend", "plan", "foresee", "potential", "enable", "continue", or other comparable terminology. These statements include, but are not limited to, statements made in the "Compensation Discussion and Analysis" section of this Management Proxy Circular and other statements about our operations, financial condition, risk management priorities, targets, ongoing objectives, strategies and outlook for 2019 and subsequent periods. By their nature, these statements are not guarantees of our future performance and are subject to risks, uncertainties and other important factors that could cause our actual performance to be materially different from that projected. Factors that may adversely impact our forward looking statements include risks relating to: fluctuations in market prices; availability of water, wind and natural gas required to generate electricity; the regulatory and political environments in the jurisdictions in which we operate; environmental requirements and changes in, or liabilities under, these requirements; changes in general economic conditions including interest rates and foreign exchange rates; operational risks involving our facilities, including unplanned outages at such facilities; disruptions in the transmission and distribution of electricity; effects of weather; natural and man-made disasters; the threat of domestic terrorism and cyber-attacks; equipment failure; industry risk and competition; fluctuations in the value of foreign currencies; need for additional financing; structural subordination of securities; counterparty credit risk; insurance coverage; our provision for income taxes; legal proceedings involving the Company; reliance on key personnel; and development projects and acquisitions. Readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on forward looking statements. The forward-looking statements included in this document are made only as of the date hereof and we do not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise, except as required by applicable laws. In light of these risks, uncertainties and assumptions, the forward-looking events might occur to a different extent or at a different time than we have described or might not occur.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of holders ("Shareholders") of common shares in the capital of TransAlta Renewables Inc. ("TransAlta Renewables" or the "Company") will be held April 25, 2019 at 10:00 a.m. (local time) in the Kahanoff Conference Centre, Suite 201, located at 105 – 12th Avenue S.E., in Calgary, Alberta for the purposes of:

1. electing the directors for the ensuing year;
2. receiving the audited consolidated financial statements of the Company for the year ended December 31, 2018 and the auditor's report thereon;
3. appointing the auditors and authorizing the directors to fix their remuneration; and
4. considering such other matters as may properly come before the Meeting.

This notice, the accompanying Management Proxy Circular (the "Proxy Circular") and the form of proxy (the "Proxy") are being made available in connection with the Meeting. Only Shareholders of record at the close of business on March 11, 2019 are entitled to receive notice and to vote at the Meeting or any adjournment or postponement thereof. Proxies must be returned to TransAlta Renewables' Transfer Agent and Registrar, AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time fixed for holding the Meeting, or any adjournment or postponement thereof. Registered Shareholders who cannot attend the Meeting in person may use one of the voting options described in this Proxy Circular and the accompanying Proxy. Non-registered Shareholders should follow the instructions on the voting instruction form or other form of proxy provided by their intermediaries with respect to the procedures to be followed for voting. For more information about registered Shareholders and non-registered Shareholders please see the section entitled "Voting Information" in the Proxy Circular.

The Proxy Circular and the Proxy accompany this Notice of Annual Meeting.

By order of the Board of Directors

"Scott Jeffers"

Scott Jeffers
Corporate Secretary

Calgary, Alberta

March 11, 2019

IMPORTANT NOTICE REGARDING PROXY MATERIALS AND NOTICE AND ACCESS PROCEDURES

The Company has elected to use the notice-and-access provisions under National Instrument 54-101 and National Instrument 51-102 (“Notice-and-Access”) for distribution of the meeting materials to Shareholders. Notice-and-Access allows the Company to post electronic versions of its proxy-related materials on the System for Electronic Document Analysis and Retrieval (“SEDAR”) and on its website, rather than mailing paper copies to Shareholders. Shareholders will receive a Notice-and-Access notification and a form of proxy (or voting instruction form if applicable) and may choose to receive a paper copy of the annual meeting materials in accordance with the instructions set forth below.

The Meeting materials will be available on the Company's website at www.transaltarenewables.com as of March 25, 2019. The Meeting materials will also be available under the Company's profile on SEDAR at www.sedar.com as of March 25, 2019. The website address for Notice-and-Access is www.meetingdocuments.com/astca/rnw. The use of this alternative means of delivery is more environmentally friendly as it will reduce paper and it will also reduce the Company's printing and mailing costs. Shareholders are reminded to review the meeting materials prior to voting. Please contact our transfer agent, AST Trust Company (Canada), toll-free at 1-888-433-6443 if you have questions about Notice-and-Access or need help downloading the Meeting materials.

A paper copy of the Company's audited consolidated financial statements for the year ended December 31, 2018 and related Management's Discussion and Analysis as at December 31, 2018 and for the years ended December 31, 2018 and 2017 will be mailed to the Company's registered Shareholders and beneficial Shareholders who previously provided standing instructions to receive such information. If you are a Shareholder who has not provided such instructions, you will receive only a Notice-and-Access notification and a voting instruction form.

Requests for paper copies should be made as soon as possible, but must be received no later than April 11, 2019, in order to allow sufficient time for Shareholders to receive and review the meeting materials and return the proxy form or voting instruction form prior to the proxy deadline.

Shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy (or voting instruction form, as applicable) and return it, in the envelope provided, to AST Trust Company (Canada), Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1 so that it is received no later than 10:00 a.m. (Calgary time) on April 23, 2019.

MANAGEMENT PROXY CIRCULAR

GENERAL INFORMATION

This Management Proxy Circular ("Proxy Circular") is dated March 11, 2019, and is furnished to holders ("Shareholders") of common shares ("Common Shares" or the "Shares") in the capital of TransAlta Renewables Inc. ("TransAlta Renewables", the "Company", "we" or "our") in connection with the solicitation of proxies by and on behalf of the management of TransAlta Renewables and the Board of Directors ("Board") for use at the Annual General Meeting of Shareholders of the Company (the "Meeting") to be held on April 25, 2019 at 10:00 a.m. (local time) in the Kahanoff Conference Centre, located at 105 - 12 Avenue S.E., Suite 201, in Calgary, Alberta, or any adjournment or postponement thereof, for the purposes set out in the Notice of Annual Meeting of Shareholders (the "Notice of Meeting") accompanying this Proxy Circular.

Except as otherwise stated, information in this Proxy Circular is provided as of March 11, 2019.

This Proxy Circular was provided to you because you owned Shares in TransAlta Renewables at the close of business on March 11, 2019, the record date set for the Meeting. As a Shareholder, you have the right to attend the Meeting and vote your Shares. You may vote in person or by proxy, using the enclosed form of proxy ("Proxy").

ABOUT THIS DOCUMENT

This Proxy Circular contains information about the Meeting, the voting process and other information you need to know, including:

- the directors nominated for election to our Board;
- the appointment of auditors; and
- our corporate governance practices.

ADDITIONAL INFORMATION

You will find additional information regarding our business and our financial information in our annual information form as well as our audited consolidated financial statements and accompanying management's discussion and analysis for the year ended December 31, 2018. Copies of these documents and other important documents are on our website at www.transaltarenewables.com and under our profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

If you prefer to receive a paper copy of our documents, you may request them from our registrar and transfer agent:

AST Trust Company (Canada)
Phone: 1-888-433-6443
E-mail: fulfilment@astfinancial.com

COMMUNICATING WITH THE BOARD

Our Board values open dialogue and welcomes advice from our Shareholders. Our Board also encourages Shareholder participation at the Meeting. Shareholders may communicate directly with the Board or any Board member(s) by directing their correspondence to the following address:

Chair of the Audit and Nominating Committee
c/o Corporate Secretary
TransAlta Renewables Inc.
110 – 12th Avenue SW, Box 1900, Station "M"
Calgary, Alberta T2P 2M1

Or:

E-mail: corporate_secretary@transalta.com

REPORTING CONCERNS

The Board, through the oversight of the Audit and Nominating Committee of the Board (the "Audit Committee"), has established several options for employees, contractors, Shareholders, and other stakeholders to call or contact the Audit Committee with respect to accounting irregularities, ethical violations or any other matters they wish to bring to the attention of the Board. You may contact the Audit Committee by:

- Webpage (internet portal) at <http://transalta.ethicspoint.com>; or
- A confidential, anonymous voice mail on the TransAlta Ethics Help Line at 1-855-374-3801 (U.S./Canada) and 1-800-339276 (Australia); or
- Mail addressed to:

TransAlta Renewables Inc.
Attention: Chair, Audit Committee
110 – 12th Avenue SW
Box 1900, Station "M"
Calgary, Alberta T2P 2M1

SHAREHOLDER PROPOSALS

The final date by which the Company must receive Shareholder proposals for the annual meeting of Shareholders to be held in 2020 is December 11, 2019. All proposals shall be sent by registered mail to:

TransAlta Renewables Inc.
Attention: Corporate Secretary
110 – 12th Avenue SW
Box 1900, Station "M"
Calgary, Alberta T2P 2M1

SOLICITATION OF PROXIES

We believe it is important for all Shareholders to vote. To encourage your vote, you may be contacted by employees of TransAlta Corporation ("TransAlta" or the "Manager") by telephone, email, facsimile or in person. TransAlta is the Company's majority Shareholder. Solicitation will be made primarily by mail and the cost will be borne by the Company.

TRANSFER AGENT

AST Trust Company (Canada), formerly CST Trust Company, an affiliate of Canadian Stock Transfer Company Inc., is the registrar and transfer agent of the Common Shares at its principal offices in Calgary, Alberta and Toronto, Ontario.

IMPORTANT NOTICE REGARDING PROXY MATERIALS AND NOTICE-AND-ACCESS PROCEDURES

The Company has elected to use the notice-and-access provisions under National Instrument 54-101 and National Instrument 51-102 ("Notice-and-Access") for distribution of the meeting materials to Shareholders. Notice-and-Access allows the Company to post electronic versions of its proxy-related materials on SEDAR and on its website, rather than mailing paper copies to Shareholders. Shareholders will receive the Notice of Access notification and a form of proxy (or voting instruction form if applicable) and may choose to receive a paper copy of the meeting materials in accordance with the instructions set forth below.

The Meeting materials will be available on the Company's website at www.transaltarenewables.com as of March 25, 2019. The Meeting materials will also be available under the Company's profile on SEDAR at www.sedar.com as of March 25, 2019. The website address for Notice-and-Access is www.meetingdocuments.com/astca/rnw. The use of this alternative means of delivery is more environmentally friendly as it will reduce paper and it will also reduce the Company's printing and mailing costs. Shareholders are reminded to review the Meeting materials

prior to voting. Please call AST Trust Company (Canada) toll-free at 1-888-433-6443 if you have questions about Notice-and-Access.

A paper copy of the Company's audited consolidated financial statements for the year ended December 31, 2018 and related Management's Discussion and Analysis as at December 31, 2018 and for the years ended December 31, 2018 and 2017 will be mailed to the Company's registered Shareholders and beneficial Shareholders who previously provided standing instructions to receive such information. If you are a beneficial Shareholder who has not provided such instructions, you will receive only a Notice-and-Access notification and a voting instruction form.

Requests for paper copies should be made to AST Trust Company (Canada) by telephone (1-888-433-6443) or by email (fulfilment@astfinancial.com) as soon as possible, but must be received no later than April 11, 2019, in order to allow sufficient time for Shareholders to receive and review the meeting materials and return the proxy form or voting instruction form prior to the proxy deadline.

Shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy (or voting instruction form, as applicable) and return it, in the envelope provided, to AST Trust Company (Canada), Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1 so that it is received no later than 10:00 a.m. (Calgary time) on April 23, 2019.

ABOUT THE SHAREHOLDER MEETING

GENERAL VOTING INFORMATION

Who Can Vote

If you held Shares of TransAlta Renewables at the close of business on March 11, 2019, you are entitled to attend the Meeting or any adjournment or postponement thereof and vote your Shares. Each Share represents one vote.

Quorum for the Meeting

To transact business at the Meeting, we must have at least two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy, representing not less than 25% of the outstanding Shares entitled to be voted at the Meeting.

PRINCIPAL OWNERS OF TRANSALTA RENEWABLES SHARES

At the close of business on March 11, 2019, there were an aggregate of 263,846,686 Common Shares issued and outstanding. Our Common Shares trade under the symbol "RNW" on the Toronto Stock Exchange ("TSX").

To the knowledge of our directors and officers, the following sets out the only persons, firms or corporations, owning of record or beneficially, controlling or directing, directly or indirectly, 10% or more of the issued and outstanding Common Shares:

Name of Holder	Type of Ownership	Number of Voting Securities Owned	Percentage of Outstanding Voting Securities Owned
TransAlta Corporation	Direct/Indirect	160,398,217 Common Shares ⁽¹⁾	60.8%

Note:

(1) Includes 60,646,375 Common Shares held by TransAlta Generation Partnership of which TransAlta Corporation is the manager.

Pursuant to the terms of the governance and cooperation agreement between the Company and TransAlta dated August 9, 2013 (the "Governance and Cooperation Agreement"), the Board is currently comprised of six individuals, three of whom are appointed by TransAlta and three of whom are independent (pursuant to NI 52-110, as defined herein). TransAlta is entitled to nominate a majority of the directors of the Company for so long as the percentage of outstanding Common Shares of the Company beneficially owned directly or indirectly by TransAlta is not less than 35% of the issued and outstanding Common Shares of the Company. If the percentage of outstanding Common Shares of the Company beneficially owned directly or indirectly by TransAlta is less than 35% but greater than or equal to 10%, TransAlta shall be entitled to nominate its proportionate share of the directors of the Company (rounded up to the next whole number) based on the percentage of outstanding Common Shares of the Company beneficially owned directly or indirectly by TransAlta. Finally, irrespective of the percentage of outstanding Common Shares of the Company beneficially owned directly or indirectly by TransAlta, TransAlta is entitled to nominate one director of the Company for so long as the Governance and Cooperation Agreement is in effect.

Pursuant to the Governance and Cooperation Agreement, the nominees of TransAlta to the Board may be directors, officers or employees of TransAlta or its affiliates, or other persons, at TransAlta's discretion. Board nominees who are nominated by TransAlta, who are directors, officers or employees of TransAlta or its affiliates, are not entitled to any compensation from the Company by virtue of being a director of the Company, except as otherwise described herein. Subject to any requirements of the Canada Business Corporations Act, TransAlta is entitled to nominate for appointment or election to the Board a replacement director for any of the directors nominated by TransAlta who ceases for any reason to be a director of the Board, provided TransAlta remains, at that time, entitled to appoint such director. The chair of the Board (the "Chair of the Board") will be appointed by the Board and will be independent as determined in accordance with National Instrument 52-110, Audit Committees ("NI 52-110") of the Canadian Securities Administrators.

The Board has not adopted a Majority Voting Policy (as defined by the TSX) for the election of directors. The Board strongly believes that sound corporate governance is essential to the well-being of the Company. It is the Board's view that a Majority Voting Policy for the election of directors of the Company does not serve a useful purpose for the Shareholders at this stage given that TransAlta is presently a controlling Shareholder of TransAlta Renewables. As a controlling Shareholder with a majority of the voting shares, TransAlta will necessarily cast a majority of the votes for the election of the Company's directors.

REGISTERED SHAREHOLDER VOTING

You are a "Registered Shareholder" if your Shares are held in your name and you have a share certificate. As a Registered Shareholder, you may vote in person at the Meeting or by Proxy.

Voting in Person at the Meeting

If you attend the Meeting in person, it is not necessary to complete and return the Proxy. Please register with AST Trust Company (Canada), when you arrive at the Meeting.

Voting by Proxy

Voting by Proxy is a very easy way to vote. When you vote by Proxy you are giving someone else the authority to attend the Meeting and vote on your behalf and in accordance with your instructions (called your proxyholder). Shares represented by a properly executed Proxy in favour of the persons designated in the enclosed Proxy will be voted or withheld from voting on any ballot that may be called for in accordance with the instructions made on the Proxy, and, if the Shareholder specifies a choice with respect to any matters to be acted on, such Shareholder's Shares will be voted accordingly.

Allen R. Hagerman (Chair of the Board) and John H. Kousinioris (President) have agreed to act as your proxyholders. If you appoint these proxyholders but do not indicate how you want to vote on the enclosed form, they will vote as follows:

- ***FOR electing each nominated director; and***
- ***FOR appointing the auditors.***

You may appoint someone else to be your proxyholder. This person does not need to be a Shareholder. To appoint somebody else as your proxyholder, cross out the printed names on the Proxy and insert the name of the person you wish to act as your proxyholder in the blank space provided. Please indicate the way you wish to vote on each item of business and your vote will be cast accordingly. Your proxyholder will be required to register with AST Trust Company (Canada) when he or she arrives at the Meeting. Your proxyholder will have discretionary authority with respect to any amendments or variations of the matters of business to be acted on at the Meeting or any other matters properly brought before the Meeting or any adjournment thereof, in each instance, to the extent permitted by law, whether or not the amendment, variation or other matter that comes before the Meeting is contested.

Voting by Mail, Telephone, Internet, Email or Facsimile

If you do not plan to attend, or have your proxyholder attend the Meeting in person, please follow one of the procedures below to vote your Proxy:

By Mail	<ul style="list-style-type: none"> • complete, date and sign the Proxy in accordance with the instructions included on the Proxy; and • return the completed Proxy in the envelope provided to AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1.
By Telephone	<ul style="list-style-type: none"> • call 1-888-489-7352 from a touch-tone phone and follow the voice instructions; • refer to the Proxy sent to you for the 13-digit Control Number; and • convey your voting instructions by use of touch-tone selections over the telephone.
By Internet	<ul style="list-style-type: none"> • follow the instructions for internet voting on the Proxy or your voting instruction form.
By Email or Facsimile	<ul style="list-style-type: none"> • complete, date and sign the Proxy in accordance with the instructions included on the Proxy; and either scan and email both sides of the completed Proxy to proxyvote@astfinancial.com or fax both sides to 1-866-781-3111

To be voted at the Meeting, a Proxy must be received not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time fixed for holding the Meeting, or any adjournment or postponement thereof.

By following the foregoing procedure, you may authorize the management representatives of the Company named in the Proxy to vote your Shares.

BENEFICIAL SHAREHOLDER VOTING

You are a "Beneficial Shareholder" if your Shares are registered in the name of an intermediary and your share certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

Voting Through Your Intermediary

To vote your Shares held through an intermediary, you must follow the instructions on the voting instruction form provided by your intermediary.

Voting in Person at the Meeting

To vote your Shares in person at the Meeting, you must:

- (i) appoint yourself as the proxyholder by writing your own name in the space provided on the voting instruction form. Do not complete the voting section on the request for voting instructions as your vote will be taken at the Meeting; and
- (ii) return the voting instruction form to your intermediary in the envelope provided or by the facsimile number provided.

If you are a Beneficial Shareholder residing in the United States of America and you wish to attend the Meeting and vote your Shares in person, you must follow the instructions on the back of your voting instruction form to obtain a legal proxy. Once you have received your legal proxy, you will need to submit and deliver it to the Company or AST Trust Company (Canada) prior to the proxy deposit date in order to vote your Shares in person at the Meeting.

CHANGING YOUR VOTE

Registered Shareholders

You may revoke your Proxy in writing, addressed to AST Trust Company (Canada), executed by you or by your attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and mail it to AST Trust Company (Canada), Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1. You may revoke your Proxy not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time fixed for the Meeting, or any adjournment or postponement thereof, at which the Proxy is to be used.

You may also revoke your Proxy by submitting new voting instructions, which will revoke any prior instructions provided such new voting instructions are received not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time fixed for the Meeting, or any adjournment or postponement thereof.

The chair of the Meeting may waive or extend the proxy cut-off time without notice.

Beneficial Shareholders

If you have voted through your intermediary and would like to change your mind and vote in person at the Meeting, contact your intermediary to discuss whether this is possible and what procedures you need to follow.

VOTING RESULTS

AST Trust Company (Canada) counts the votes for the Meeting and will only show us a completed Proxy if: (i) it is required by law; (ii) there is a proxy contest; or (iii) a Shareholder has written comments on the Proxy that are clearly intended for management of TransAlta Renewables.

BUSINESS OF THE MEETING

There are three items of business to be conducted at the Meeting:

1. ELECTION OF DIRECTORS

Election of Individual Directors

Shareholders are provided with the opportunity to cast their votes for or withhold from voting for each director individually.

The biographies of our six nominees for election to the Board are provided in the "*Director Nominee Information*" section that follows.

Nominees

The six directors being nominated for election in 2019 are:

David W. Drinkwater
Brett M. Gellner
Allen R. Hagerman
Kathryn B. McQuade
Paul H.E. Taylor
John H. Kousinioris

The nominees possess an appropriate mix of expertise and qualities necessary for effective decision making and for providing appropriate oversight to the business of the Company. Each director elected will serve until the next annual meeting of Shareholders or until his or her successor is elected or appointed. Each director has agreed to serve as a director if elected.

Mr. Hagerman, Mr. Drinkwater and Ms. McQuade are independent director nominees. The following three director nominees were nominated by TransAlta and are not independent:

- (a) Mr. John H, Kousinioris, President of the Company, and Chief Growth Officer of TransAlta;
- (b) Mr. Brett Gellner, Chief Strategy & Investment Officer of TransAlta; and
- (c) Mr. Paul H.E. Taylor, former President, U.S. Operations and Executive Vice-President, Canadian Coal of TransAlta.

There are no family relationships between any of the nominated directors.

DAVID W. DRINKWATER⁽¹⁾



Mr. Drinkwater is a corporate director. Prior thereto, Mr. Drinkwater was a Senior Advisor to Rothschild Canada until December 31, 2015. Prior thereto, Mr. Drinkwater was the Chairman of Rothschild Canada from April 15, 2009 to July 1, 2013. Prior thereto, Mr. Drinkwater was the Chief Legal Officer of Nortel Networks Corporation from December 19, 2005 to December 31, 2008 and Senior Advisor from then to March 31, 2009. From May 2007 to November 2007, he was also Acting Chief Financial Officer of Nortel Networks Corporation. From August 2004 to December 2005, he acted as an independent consultant and corporate director. From April 2003 to July 2004, Mr. Drinkwater served as Executive Vice President and Chief Financial Officer at Ontario Power Generation Inc. From December 1998 to March 2003, Mr. Drinkwater was Executive Vice President, Corporate Development and Legal Affairs at Ontario Power Generation.

Corporate Director

Ontario, Canada
 Director Since: 2013
 Age: 70
 Independent

Mr. Drinkwater holds a Master of Laws from the London School of Economics, a Bachelor of Laws from Dalhousie University and a Bachelor of Arts in Business Administration from the Richard Ivey School of Business at the University of Western Ontario.

Areas of Expertise

- Accounting, Finance & Tax
- Electric Energy/Utility
- Financial Services / Investment Banking
- Government / Regulatory
- International Operations
- Law / Regulatory
- Large Infrastructure
- Mergers & Acquisitions
- Technology / Research / Telecommunications
- Strategy & Development
- Trading

Board and Committee Membership	Attendance	Percentage	Value of Compensation Received in 2018
Board of Directors	8 of 8	100%	\$149,000
Audit Committee	4 of 4	100%	

Securities Held as of December 31

Year	Common Shares	Deferred Share Units ⁽²⁾	Total	Market Value ⁽³⁾	Ownership Guidelines Requirement ⁽⁴⁾
2018	2,500	22,012	24,512	\$254,189	0.8x
2017	2,500	17,453	19,953	\$267,170	1.3x
Change	-	4,559	4,559	(\$12,981)	

Other Public Board Directorships and Committee Memberships

None

Public Board Interlocks

None

Voting Results of 2018 Annual Meeting of Shareholders

Votes For	Percentage	Votes Withheld	Percentage
198,352,015	98.12	3,795,732	1.88

BRETT M. GELLNER⁽¹⁾⁽⁵⁾**Chief Investment Officer
of TransAlta**

Alberta, Canada
 Director Since: 2013
 Age: 55
 Non-Independent

Mr. Gellner is the Chief Strategy and Investment Officer of TransAlta. In his role as Chief Strategy and Investment Officer of TransAlta he oversees strategic corporate investments, mergers and acquisitions as well as greenfield projects. Mr. Gellner was also interim Chief Financial Officer for TransAlta Corporation from April 2018 to November 2018. Previously, Mr. Gellner was Chief Financial Officer of TransAlta from 2010 to 2014. Prior thereto, Mr. Gellner was Vice-President, Commercial Operations and Mergers & Acquisitions at TransAlta.

Prior to joining TransAlta, Mr. Gellner spent 12 years in investment banking covering the power, pipeline, midstream and forest products sectors.

Mr. Gellner has a master's degree specializing in economics from the University of Alberta and holds a Chartered Financial Analyst designation. He has also completed the Advanced Management Program at Harvard University.

Areas of Expertise

- Accounting, Finance & Tax
- Economics & Business
- Electric Energy / Utility
- Environment / Climate Change
- Financial Services / Investment Banking
- Mergers & Acquisitions
- Strategy & Development

Board and Committee Membership	Attendance	Percentage	Value of Compensation Received in 2018
Board of Directors	8 of 8	100%	N/A ⁽⁶⁾

Securities Held as of December 31

<i>Year</i>	<i>Common Shares</i>	<i>Deferred Share Units⁽²⁾</i>	<i>Total</i>	<i>Market Value⁽³⁾</i>	<i>Ownership Guidelines Requirement⁽⁴⁾</i>
2018	33,500	-	33,500	\$347,395	N/A
2017	33,500	-	33,500	\$448,565	N/A
Change	-	-	-	(\$101,170)	

Other Public Board Directorships and Committee Memberships

None

Public Board Interlocks

None

Voting Results of 2018 Annual Meeting of Shareholders

<i>Votes For</i>	<i>Percentage</i>	<i>Votes Withheld</i>	<i>Percentage</i>
195,951,092	96.93	6,196,655	3.07

ALLEN R. HAGERMAN⁽¹⁾**Corporate Director
and Chair of the Board**

Alberta, Canada
 Director Since: 2013
 Age: 66
 Independent

Mr. Hagerman is a corporate director. Prior to December 31, 2014, he was Executive Vice President of Canadian Oil Sands Limited, an oil sands mining and upgrading entity. Prior to 2007, Mr. Hagerman was Chief Financial Officer of Canadian Oil Sands Limited. Mr. Hagerman is currently a director and chair of the audit committee of Precision Drilling Corporation. Mr. Hagerman is also a director and chair of the audit committee of Tervita Corporation

Mr. Hagerman is the past President of Financial Executives Institute, Calgary Chapter, as well as a past Chair of the Alberta Children's Hospital Foundation. Previous board positions include lead director of Capital Power Income L.P., director of Syncrude Canada Ltd., Governor of the University of Calgary and a director of the Calgary Exhibition and Stampede. He is a fellow of the Institute of Chartered Accountants of Alberta and received their Distinguished Service Award.

Mr. Hagerman is a Chartered Accountant and holds a Bachelor of Commerce from the University of Alberta and a Master of Business Administration from Harvard Business School. He also holds an ICD.D. certification from the Institute of Corporate Directors and has served on the executive committee of the ICD Calgary Chapter.

Areas of Expertise

- Accounting, Finance & Tax
- Economics & Business
- Electric Energy/Utility
- Environment / Climate Change
- Government Affairs, Public Administration
- Insurance
- Large Infrastructure
- Marketing
- Mergers & Acquisitions
- Mining
- Oil & Gas
- Strategy & Development
- Trading

Board and Committee Membership	Attendance	Percentage	Value of Compensation Received in 2018
Board of Directors	8 of 8	100%	\$184,500
Audit Committee	4 of 4	100%	

Securities Held as of December 31

<i>Year</i>	<i>Common Shares</i>	<i>Deferred Share Units⁽²⁾</i>	<i>Total</i>	<i>Market Value⁽³⁾</i>	<i>Ownership Guidelines Requirement⁽⁴⁾</i>
2018	30,000	23,468	53,468	\$554,463	1.8x
2017	30,000	13,489	43,489	\$582,317	2.77x
Change	-	9,979	9,979	(\$27,854)	

Other Public Board Directorships and Committee Memberships

Precision Drilling Corporation - Audit (Chair); Human Resources and Compensation
 Tervita Corporation – Audit (Chair); Human Resources Compensation

Public Board Interlocks

None

Voting Results of 2018 Annual Meeting of Shareholders

<i>Votes For</i>	<i>Percentage</i>	<i>Votes Withheld</i>	<i>Percentage</i>
198,363,664	98.13	3,784,083	1.87

JOHN H. KOUSINIORIS⁽¹⁾⁽⁵⁾

Mr. Kousinioris is the President of the Company. John is also Chief Growth Officer and is responsible for overseeing growth at TransAlta as well as TransAlta's gas and renewables operations, business development, commercial, energy trading and marketing, and asset optimization. Prior to being appointed Chief Growth Officer, John was the Chief Legal and Compliance Officer and Corporate Secretary for TransAlta and was responsible for directing TransAlta's legal affairs, government relations, regulatory compliance and corporate secretarial matters.

Prior to joining TransAlta, John was a partner and co-head of the corporate commercial department at Bennett Jones LLP. He has over 25 years of experience in securities law, mergers and acquisitions and corporate governance matters, and has represented clients in some of Canada's largest public offerings and merger transactions.

Mr. Kousinioris has a Bachelor of Arts degree from the University of Western Ontario, a Master of Business Administration degree from York University and a Bachelor of Laws degree from Osgoode Hall Law School at York University. He has also completed the Advanced Management Program at Harvard University.

President

Alberta, Canada
 Director Since: 2017
 Age: 54
 Non-Independent

Areas of Expertise

- Accounting, Finance & Tax
- Economics & Business
- Electric Energy / Utility
- Environment / Climate Change
- Law and/or Regulatory
- Financial Services / Investment Banking
- Mergers & Acquisitions
- Strategy & Development
- Human Resources / Organizational Design
- Government / Regulatory
- International Operations
- Trading

Board and Committee Membership	Attendance	Percentage	Value of Compensation Received in 2018
Board of Directors	8 of 8	100%	N/A ⁽⁶⁾

Securities Held as of December 31

Year	Common Shares	Deferred Share Units ⁽²⁾	Total	Market Value ⁽³⁾	Ownership Guidelines Requirement ⁽⁴⁾
2018	2,540	-	2,540	\$26,339	N/A
2017	2,540	-	2,540	\$34,010	N/A
Change	-	-	-	(\$7,671)	

Other Public Board Directorships and Committee Memberships

None

Public Board Interlocks

None

Voting Results of 2018 Annual Meeting of Shareholders

Votes For	Percentage	Votes Withheld	Percentage
196,722,941	97.32	5,424,806	2.68

KATHRYN B. McQUADE



**Corporate Director and
Chair of the Audit and
Nominating Committee**

Nevada, U.S.A.

Director Since: 2013

Age: 62

Independent

Ms. McQuade is currently an independent business person and trustee for the Kathryn B. McQuade Foundation. Ms. McQuade served as Senior Advisor of Canadian Pacific Railway Company from November 1, 2012 to May 15, 2013. Prior thereto, Ms. McQuade served as the Chief Financial Officer of Canadian Pacific Railway Company from September 4, 2008 to her retirement on November 1, 2012. Ms. McQuade joined Canadian Pacific Railway Limited in June 2007 as Executive Vice President and Chief Operating Officer. Prior to joining Canadian Pacific Railway Limited, Ms. McQuade served as Executive Vice President — Planning and Chief Information Officer at Norfolk Southern Corporation where she spent 27 years in key information technology, strategic planning and finance leadership positions, including Vice-President, Internal Audit and Senior Vice-President, Finance.

Ms. McQuade currently serves as a director of Altria Group, Inc. She also served as a director of several privately-held companies. From October 2013, Ms. McQuade is emerita status of the Board of Trustees of The College of William & Mary Foundation. She previously served as a director of Shenandoah Life Insurance Company, TTX Company, Consolidated Rail Corporation and North West Upgrading Inc.

Ms. McQuade is a Certified Public Accountant and holds a Bachelor of Business Administration in Accounting with a minor in Mathematics from the College of William & Mary in Virginia. She also completed the Advanced Management Program at Harvard University.

Areas of Expertise

- Accounting, Finance & Tax
- Economics & Business
- Mergers & Acquisitions
- Strategy & Development
- Technology / Research / Telecommunications
- Transportation

Board and Committee Membership	Attendance	Percentage	Value of Compensation Received in 2018
Board of Directors	8 of 8	100%	\$154,000
Audit Committee	4 of 4	100%	

Securities Held as of December 31

Year	Common Shares	Deferred Share Units ⁽²⁾	Total	Market Value ⁽³⁾	Ownership Guidelines Requirement ⁽⁴⁾
2018	2,000	27,108	29,108	\$301,849	1.0x
2017	2,000	18,902	20,902	\$279,877	1.33x
Change	-	8,206	8,206	\$21,972	

Other Public Board Directorships and Committee Memberships

Atria Group, Inc. - Audit; Compensation; Finance

Public Board Interlocks

None

Voting Results of 2018 Annual Meeting of Shareholders

Votes For	Percentage	Votes Withheld	Percentage
197,899,233	97.90	4,248,524	2.10

PAUL H.E. TAYLOR⁽¹⁾

Corporate Director
 Alberta, Canada
 Director Since: 2013
 Age: 64
 Non-Independent

Mr. Taylor is the Principal of Taylor Advisory Services, a management consulting firm. He retired in July 2016 as the President and Chief Executive Officer of Western Financial Group, Western Canada's largest insurance brokerage company. Previously, Mr. Taylor served as TransAlta's President, U.S. Operations and Executive Vice-President of the Alberta based Canadian coal generation business until his retirement from TransAlta on March 31, 2014. He was also responsible for leading the commercial coal and sustainability teams in both Canada and the U.S. In the late 1990s, while serving as TransAlta's Senior Vice-President, Corporate Development, he was involved in the establishment of TransAlta Power, L.P. His energy experience includes serving as President and Chief Executive Officer of NaiKun Wind Energy Group, an offshore wind development company.

Mr. Taylor also has extensive public sector experience including serving as Chief of Staff to the Premier of British Columbia, British Columbia's Deputy Minister of Finance and Secretary to the Treasury Board and President and Chief Executive Officer of the Insurance Corporation of British Columbia and various roles within Alberta Treasury.

Mr. Taylor has served on private and public sector boards including Western Financial Group, Western Life Assurance Company, Western Financial Insurance Company (PetSecure), NaiKun Wind Energy Group, BC Forestry Investment & Innovation, TransAlta New Zealand, TransAlta Power Ltd., The Conference Board of Canada, the World Wildlife Fund - Canada and as the Chair of the Insurance Corporation of British Columbia.

Areas of Expertise

- Economics & Business
- Electric Energy / Utility
- Environment / Climate Change
- Government / Regulatory
- Government Affairs, Public Administration
- Human Resources / Organizational Design
- Insurance
- International Operations
- Law and/or Regulatory
- Mergers & Acquisitions
- Mining
- Strategy & Development
- Trading

Board and Committee Membership	Attendance	Percentage	Value of Compensation Received in 2018
Board of Directors	8 of 8	100%	\$116,500

Securities Held as of December 31

<i>Year</i>	<i>Common Shares</i>	<i>Deferred Share Units⁽²⁾</i>	<i>Total</i>	<i>Market Value⁽³⁾</i>	<i>Ownership Guidelines Requirement⁽⁴⁾</i>
2018	7,500	27,259	34,759	\$360,450	1.2x
2017	7,500	21,068	28,568	\$382,525	1.82x
Change	-	6,191	6,191	(\$22,075)	

Other Public Board Directorships and Committee Memberships

None

Public Board Interlocks

None

Voting Results of 2018 Annual Meeting of Shareholders

<i>Votes For</i>	<i>Percentage</i>	<i>Votes Withheld</i>	<i>Percentage</i>
196,306,016	97.11	5,841,731	2.89

Notes:

- (1) Canadian resident.
- (2) The Board adopted a Deferred Share Unit Plan on October 29, 2013 and, starting in 2014, the non-management directors of the Company could choose to receive all or part of their compensation in deferred share units ("DSUs"). Information regarding the Deferred Share Unit Plan is provided under "Report on Director Compensation - Deferred Share Units" in this Proxy Circular.
- (3) The 2018 market value is based on the closing price of the Common Shares on the TSX on December 31, 2018 (the last trading day of 2018) of \$10.37 per Common Share. The 2017 market value is based on the closing price of the Common Shares on the TSX on December 29, 2017 (the last trading day of 2017) of \$13.39 per Common Share.
- (4) The share ownership requirement requires non-management directors to acquire and hold a minimum of three times the director's base annual cash retainer in Common Shares, DSUs or a combination of both within three years of joining the Board or the effective date of the policy, whichever is later. In 2017 the base annual retainer for non-management directors was \$70,000. Effective January 1, 2018 the base annual retainer was increased to \$100,000. See "Compensation Discussion and Analysis – Share Ownership Requirements of Directors" for further information.
- (5) Mr. Gellner and Mr. Kousiniotis are executive officers of TransAlta, which holds an approximate 61% interest in the Company.
- (6) Mr. Gellner and Mr. Kousiniotis are executive officers of TransAlta and the Company and do not receive director compensation. In their capacity as employees of TransAlta, their compensation is determined and paid exclusively by TransAlta. See "Summary Compensation Table for NEOs" for further information.

Unless otherwise instructed, the persons designated in the Proxy intend to vote FOR the election of each of these nominees as directors of the Company.

Additional Information About the Directors*Director Meeting Attendance*

Directors are expected to attend all regularly scheduled meetings of the Board and its committees. Aggregate attendance for our directors in 2018 was 100%. Members of senior management are also invited to attend Board meetings as required. We also expect our directors to attend the Company's annual shareholder meetings. In addition, should special meetings of the Board be required, we make every effort to schedule such meetings to accommodate the attendance of the majority of directors.

Attendance on an individual director basis is set out in the following table and can also be found under each director's personal biography in "Business of the Meeting – Election of Directors – Director Nominee Information".

In 2018 there were four regularly scheduled board meetings and four special meetings.

Name	Board Meetings	Audit Committee Meetings	Special Committee Meetings	Total Attendance (%)
David Drinkwater	8 of 8	4 of 4	7 of 7	100
Brett Gellner	8 of 8	N/A	N/A	100
Allen Hagerman	8 of 8	4 of 4	7 of 7	100
John Kousiniotis	8 of 8	N/A	N/A	100
Kathryn McQuade	8 of 8	4 of 4	7 of 7	100
Paul Taylor	8 of 8	N/A	N/A	100

Skills Matrix

The table below lists the areas of expertise of those nominees for election to the Board.

	Drinkwater	Gellner	Hagerman	Kousinioris	McQuade	Taylor	Total
Business Segment							
Electric Energy / Utility / Transmission	√	√	√	√		√	5
Environment / Climate Change		√	√	√		√	4
Financial Services / Investment Banking	√	√		√			3
Government / Regulatory	√			√		√	3
Insurance			√			√	2
International Operations	√			√		√	3
Law	√			√			2
Large Infrastructure	√		√				2
Mining			√			√	2
Oil & Gas			√	√			2
Technology / Research / Telecommunications	√				√		2
Trading	√		√	√		√	4
Transportation					√		1
Professional Background							
Accounting, Finance & Tax	√	√	√	√	√		5
Economics & Business		√	√	√	√	√	5
Government Affairs, Public Administration	√		√	√		√	4
Human Resources / Organizational Design				√		√	2
Law and/or Regulatory	√			√		√	3
Marketing			√				1
Strategic Competencies / Experience							
Active CEO				√			1
Recent CEO (last five years)		√				√	2
Recent CFO / Senior Executive (last five years)		√	√	√		√	4
Professional Role / Advisor	√	√		√	√	√	5
Mergers and Acquisitions Experience	√	√	√	√	√	√	6
Strategy Experience (development)	√	√	√	√	√	√	6

Inter-Locking Directorships

There are no inter-locking directorships on the Board.

Board Tenure

The Company does not have a retirement age policy for its directors. The Company has not adopted term limits for directors or other mechanisms of Board renewal. Due in part to the Company being majority controlled, the members of the Board are of the view that term limits are not necessary. The average tenure of the director nominees for the Board is 5.2 years.

Corporate Cease Trade Orders and Bankruptcies

Except as noted below, no director nominee is, as at the date of this Proxy Circular, or has been, within the past ten years before the date hereof, a director or executive officer of any other issuer that: (i) was, while the director nominee was acting in their capacity as a director or executive officer of that issuer, subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days after the director nominee had ceased to be a director or executive officer of that issuer and which resulted from an event that occurred while the director nominee was acting in such a capacity; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Drinkwater became an officer of Nortel Networks Corporation and Nortel Networks Limited on December 19, 2005. On January 14, 2009, Nortel Networks Corporation, Nortel Networks Limited and certain other Canadian subsidiaries, initiated creditor protection proceedings under the Companies' Creditors Arrangement Act (Canada). Certain U.S. subsidiaries filed voluntary petitions in the United States under Chapter 11 of the United States Bankruptcy Code, and certain Europe, Middle East and Africa subsidiaries made consequential filings in Europe and the Middle East. Mr. Drinkwater resigned as an officer of Nortel Networks Corporation and Nortel Networks Limited effective March 31, 2009.

Ms. McQuade was a director of Shenandoah Life Insurance Company from August 2006 to February 2009. In February 2009, Shenandoah Life Insurance Company was placed in rehabilitation with the State Corporation Commission of the Commonwealth of Virginia appointed as receiver. In August 2009, Shenandoah Life Insurance Company was acquired by Prosperity Life Insurance Group LLC, subject to receiving the approval of the Virginia State Corporation Commission. On June 24, 2011, the receiver filed an application with the Virginia State Corporation Commission for a final order approving the rehabilitation plan and acquisition of control and a final order terminating the rehabilitation. Following a hearing, the plan was approved on October 20, 2011 by the Virginia State Corporation Commission and, at a special meeting on December 15, 2011, the policyholders supported the plan of conversion following which Shenandoah Life Insurance Company exited receivership and is currently a subsidiary of Prosperity Life Insurance Group LLC.

2. FINANCIAL STATEMENTS

At the Meeting, you will receive the Company's 2018 audited consolidated financial statements, the auditors' report and the related management's discussion and analysis. Such documents are also available on SEDAR under our profile at www.sedar.com and on our website at www.transaltarenewables.com. The presentation of such audited financial statements to the Shareholders at the Meeting does not constitute a request for approval or disapproval.

3. APPOINTMENT OF AUDITORS

You will be asked to appoint Ernst & Young LLP, our present auditors, as auditors to hold office until the next annual meeting of Shareholders of the Company at remuneration to be fixed by the Board. Ernst & Young LLP have been the auditors of the Company since May 28, 2013. Representatives of Ernst & Young LLP will be available at the Meeting to answer any questions you may have.

Fees Paid to Ernst & Young LLP

For the years ended December 31, 2018 and December 31, 2017, Ernst & Young LLP and its affiliates were paid \$891,147 and \$796,010, respectively, as detailed below:

Year Ended December 31	2018	2017
Audit fees	\$ 881,397	\$ 776,010
Audit-related fees	9,750	20,000
Tax fees	0	0
All other fees	0	0
Total	\$ 891,147	\$ 796,010

No other audit firms provided audit services in 2018 or 2017. The nature of each category of paid fees is described below.

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit and review of our annual financial statements or services provided in connection with statutory and regulatory filings or engagements and providing comfort letters associated with securities documents.

Audit-Related Fees

The audit-related fees in 2018 were for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements that are not included under "Audit Fees" above.

Unless otherwise instructed, the persons designated in the Proxy intend to vote FOR the reappointment of Ernst & Young LLP as auditors of the Company.

4. OTHER BUSINESS

As of the date of this Proxy Circular, the Board and management is not aware of any other business to come before the Meeting other than as set forth in the Notice of Meeting. If any other business properly comes before the Meeting, it is the intention of the persons named in the enclosed Proxy to vote the Shares represented thereby in accordance with their best judgment on such matter.

GOVERNANCE

OUR GOVERNANCE PRACTICES

The Board is responsible for the stewardship of the Company. The Board has the statutory authority and obligation to act honestly and in good faith with a view to the best interests of the Company, including all of its stakeholders. The Board has absolute and exclusive power, control and authority over the property and affairs of the Company. The Board may delegate certain of those powers and authority that the directors, or independent directors, as applicable, deem necessary or desirable to effect the actual administration of the duties of the Board. Under the Management, Administrative and Operational Services Agreement dated August 9, 2013 between TransAlta and TransAlta Renewables, as amended (the "Management Agreement"), the Board has delegated to TransAlta, in its capacity as Manager under the Management Agreement, broad discretion to administer and manage the business and operations of the Company.

HANDLING CONFLICTS OF INTEREST

At TransAlta Renewables, we encourage and promote a culture of integrity and ethical business conduct by requiring that our officers and directors conduct their personal and business affairs in a manner that ensures that their private or personal interests do not interfere or appear to interfere with the interests of the Company. Our policies provide that each director and executive officer must comply with the disclosure requirements of the *Canada Business Corporations Act* regarding any material interest. If a declaration of material interest is made, the declaring director shall not vote on the matter if put to a vote of the Board. In addition, the declaring director and executive officer may be requested to recuse himself or herself from the meeting when such matter is being discussed.

Under the Management Agreement, in the event that the interests of TransAlta come into material conflict with the interests of the Company, TransAlta, as the Manager, shall give written notice to the Company setting out the particulars of the conflict, and the independent directors of the Company shall be responsible to make decisions relating to the conflict matter. The decision and any determinations made by the independent directors shall be the actions taken by TransAlta Renewables.

INSIDER TRADING

Our insider trading policy ("Insider Trading Policy") imposes restrictions on insiders of the Company and those in a special relationship with the Company with respect to trading in TransAlta Renewables shares. The guidelines, which fulfill our obligations to stock exchanges, regulators and investors, include the measures set forth below:

- Having quarterly and annual trading blackout periods when financial results are being prepared and have not yet been publicly disclosed. These blackouts extend to all employees of our Manager, who are engaged in the preparation of our financial results as well as to the officers and directors of the Company. The blackouts are effective from the first day following the end of a quarter or fiscal year to the close of trading on the second trading day after we issue the related news release or disclose our financial results;
- Publishing and communicating the dates for regular blackout periods and sending a monthly reminder to all reporting insiders of their obligations; and
- Requiring all insiders to pre-clear transactions.

WHISTLEBLOWER PROCEDURES

Our whistleblower procedures help uphold our strong values and preserve our culture of ethical business conduct. Our procedures are not limited to accounting, auditing and financial processes and instead provide means for employees of the Manager, contractors, Shareholders and other stakeholders to report ethical violations or any other matters they wish to bring to the attention of our Board. All submissions can be made directly to the chair of the Audit Committee, or any director who is a member of the Audit Committee. The Audit Committee (subject to its duties arising under applicable law, regulations and legal proceedings) will treat such submissions confidentially and will ensure that a thorough and fair investigation is conducted.

THE BOARD'S ROLE

Our Board is responsible for stewardship and establishing our key policies and standards, including policies for the assessment and management of our risks. The Board has adopted general guidelines ("Guidelines") which provide a framework for how we conduct our business, and which help meet our corporate governance responsibilities. These Guidelines include a general overview of the Board's role, a statement of key principles and policies applicable to the Board and its committees and a mandate that describes the Board's major responsibilities, goals and duties, including its duty to monitor the Manager. We believe that these practices benefit all stakeholders and form the building blocks for long-term success. These Guidelines are reviewed annually by the Board to ensure that they reflect the most appropriate governance standards for the Company. Our Guidelines may be found in Appendix "A" to this Proxy Circular and on our website at www.transaltarenewables.com.

The Board has delegated to the President and senior management the responsibility for the day-to-day management of the business of the Company. In addition to those matters which must, pursuant to applicable laws and our by-laws, be approved by the Board, the Board has delegated to management the authority to approve expenditures within specified limits. Under the Management Agreement, the Board has delegated to TransAlta, as Manager, broad discretion to administer and manage the business and operations of the Company. TransAlta, in its capacity as Manager, provides and performs all general administrative and operational services in order to manage the business and affairs of the Company and its subsidiaries. The Board has retained responsibility for significant matters such as major changes to organizational structure, material acquisitions and divestitures, major capital expenditures, debt and equity financing transactions and approval of environmental policies.

BOARD COMMITTEES

Our Board has only one standing committee, the Audit and Nominating Committee (the "Audit Committee"). The Audit Committee has approved a charter (the "ANC Charter") which outlines the duties and responsibilities of the chair of the Audit Committee as well as those of the full committee. The ANC Charter is available on our website at www.transaltarenewables.com and on SEDAR at www.sedar.com as an appendix to our annual information form dated March 5, 2019. As required, our Board may also appoint a special committee of the Board, comprised of independent directors, to review or consider from time to time non-arm's length transactions.

The Board approved an amendment to the ANC Charter in February 2018 in order to expand the mandate of the Audit Committee to provide for the identification and recommendation of individuals to the Board for nomination as members of the Board. Subject to the Governance and Cooperation Agreement, the Audit Committee shall:

- review, from time to time, the size, composition and profile of the Board, taking into account succession planning, geographical representation, disciplines, professional experience, strategy and direction of the Company and other matters it considers appropriate and which may affect the dynamics of the boardroom, and recommend to the Board any changes to the size, composition or profile of the Board as determined appropriate by the Committee;
- review and propose to the Board for approval, criteria for selecting new directors, after considering the competencies and skills the Board possesses, as a whole, the competencies and skills of each director, and the needs of the Company going forward, including its strategic direction, and determine from this review the competencies and skills that each new nominee should bring to the Board; and
- review annually the qualifications of person(s) proposed for election to the Board.

All Audit Committee members are independent and financially literate. The members of the Audit Committee together have experience in accounting, economics, finance and tax, insurance, investment banking, law and regulatory, mergers and acquisitions and the electricity industry.

The Audit Committee consists of three directors. No member of the Audit Committee is an officer or employee of the Company nor are they an officer or employee of the Manager. The Audit Committee complies with the independence and financial literacy requirements set forth in Part 3 of NI 52-110. Determinations as to whether the Audit Committee and each member of the Audit Committee satisfy the requirements of Part 3 of NI 52-110 are made by the Board.

The members of the Audit Committee are Kathryn B. McQuade (Chair), David W. Drinkwater and Allen R. Hagerman.

Report of the Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its oversight responsibilities with respect to: (i) the integrity of the Company's financial statements and financial reporting process; (ii) the systems of internal financial controls established by the Manager; (iii) the risk identification assessment conducted by the Manager and the programs established by the Manager in response to such assessment; (iv) the internal audit function; (v) compliance with accounting and finance based legal and regulatory requirements; and (vi) the external auditors' qualifications, independence and performance. In so doing, it is the Audit Committee's responsibility to maintain an open avenue of communication between it and the external auditors, the internal auditors, management and the Manager of the Company.

The function of the Audit Committee is oversight. Management and the Manager are responsible for the preparation, presentation and integrity of the interim and annual financial statements and related disclosure documents. Management and the Manager are also responsible for maintaining appropriate accounting and financial reporting policies and systems of internal controls and procedures to comply with accounting standards, applicable laws and regulations which provide reasonable assurances that assets are safeguarded, and transactions are authorized, executed, recorded and reported properly.

The Audit Committee's role is to provide meaningful and effective oversight so that the Company's assets are protected and safeguarded within reasonable business limits. The Audit Committee reports to the Board on its risk oversight responsibilities.

The Audit Committee is also responsible for the identification and recommendation of individuals to the Board for nomination as members of the Board and its committees.

In fulfilling its mandate in 2018, the Audit Committee performed the functions set forth under the headings below.

Financial Reporting

- (a) reviewed with management, the Manager and the external auditors of the Company, the financial reporting documents, including the annual financial statements of the Company and related management's discussion and analysis, and:
 - (i) recommended to the Board for approval the Company's audited annual financial statements, including the notes thereto and the related management's discussion and analysis as well as the related earnings release;
 - (ii) reviewed the auditors' report in connection therewith and reported to the Board as required;
 - (iii) reviewed with the external auditors the cooperation they received during the course of their review and their access to all records, data and information requested;
 - (iv) discussed with management, the Manager and the external auditors all significant transactions which are not considered to be a regular part of the Company's business;
 - (v) reviewed the processes in the formulation of sensitive accounting estimates and the reasonableness of the estimates;
 - (vi) reviewed with management, the Manager and the external auditors any changes in accounting principles, practices or policies considering their applicability to the business and financial impact to the Company;
 - (vii) reviewed with management, the Manager and the external auditors, alternative treatments of financial information within generally accepted accounting principles, the use of such alternative treatments and those preferred by the external auditors; and
 - (viii) satisfied itself that there were no unresolved issues between management, the Manager and the external auditors that could reasonably be expected to materially affect the financial statements;
- (b) reviewed with management, the Manager and the external auditors, the Company's interim financial statements, including the notes thereto, the related management's discussion and analysis, the related earnings release, and approved their release to the public as required;
- (c) reviewed with management, the Manager, and the Company's external auditors, the effectiveness of the Company's internal controls;
- (d) discussed with management, the Manager and the external auditors any correspondence from or with regulators or governmental agencies, any complaints or published reports that may raise material issues regarding the Company's financial statements or accounting policies; and

- (e) reviewed with the President and the Chief Financial Officer the processes undertaken by them and the Manager, to satisfy the requirements for certification and disclosure relating to the Company's periodic and annual reports to be filed with securities regulators and to confirm that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified for the reporting period;

Financing

- (a) reviewed the Company's financing plan and recommended it to the Board for approval;
- (b) reviewed, and recommended to the Board for approval, the replacement of the mandatory redeemable preferred shares and subscription in a new class of tracking preferred shares of a subsidiary of TransAlta;

Risk Management, Regulatory Compliance and Other

- (a) reviewed the Company's insurance program and coverage vis à vis its risk profile;
- (b) reviewed the processes relating to the assessment of potential fraud, programs, policies and controls to mitigate the risk of fraud and the processes put in place for monitoring such risk within targeted areas;
- (c) reviewed reports from the external auditors and the Manager's risk management team assessing the Company's financial risk management practices, and the processes in place to mitigate the risks where applicable;
- (d) reviewed with management, the Manager, and the Company's external auditors, the material litigation and commercial disputes of the Company; and
- (e) reviewed the cyber-security practices of the Manager, as it pertains to the Company;

External Auditors

- (a) reviewed the experience and qualifications of the external auditors' senior personnel who are providing audit services to the Company and the quality control procedures of the external auditors, including obtaining confirmation that the external auditors are in compliance with required regulatory requirements;
- (b) reviewed and approved the external auditors' audit plan;
- (c) reviewed and approved the basis and amount of the external auditors' fees and confirmed with the Company's Chief Financial Officer that appropriate funding for payment of compensation to the external auditors was available;
- (d) reviewed and discussed with the external auditors all relationships that the external auditors and their affiliates have with the Company and its affiliates in order to determine the external auditors' independence, including, without limitation, (A) requesting, receiving and reviewing, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Company, (B) discussing with the external auditors any disclosed relationships or services that the external auditors believed may affect the objectivity and independence of the external auditors, and (C) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;
- (e) informed the external auditors and the Manager that the external auditors shall have direct access to the Audit Committee at all times, as well as the Audit Committee to the external auditors, and met with the external auditors in camera at the end of each regularly scheduled Audit Committee meeting; and
- (f) instructed the external auditors that they are ultimately accountable to the Audit Committee as representatives of the Shareholders of the Company;

Internal Auditors

- (a) reviewed the scope and plans for the work of the internal auditor, with respect to the Company's assets and requested management and/or the Manager to undertake the internal audit work required to safeguard the assets of the Company;
- (b) met in camera with the internal auditor at the end of each regularly scheduled meeting; and
- (c) reviewed with management and the Manager the adequacy of the systems of internal control and procedures;

Board Composition and Nomination

- (a) reviewed the size, composition and profile of the Board, taking into account succession planning, geographical representation, disciplines, professional experience, strategy and direction of the Company;
- (b) reviewed criteria for selecting new directors, after considering the competencies and skills the Board possesses, as a whole, the competencies and skills of each director, and the needs of the Company going forward, including its strategic direction;
- (c) discussed the skills, education and experience of each current director and those factors needed to promote diversity and to lead the strategic direction of the Company, and presented such results to the Board; and
- (d) reviewed the qualifications of person(s) proposed for election to the Board.

The Audit Committee has reviewed its mandate and is satisfied that it met the terms of the ANC Charter in 2018. The ANC Charter is available on the TransAlta Renewables website at www.transaltarenewables.com or on SEDAR under our profile at www.sedar.com as an Appendix to the Company's annual information form dated March 5, 2019.

Signed,

Kathryn B. McQuade (Chair), David W. Drinkwater, Allen R. Hagerman

STRATEGIC PLANNING

Our Board also has oversight of our strategic planning process and monitors management's performance in executing on our strategy and meeting the objectives of our strategic plan. The Board meets on an annual basis for a comprehensive strategic planning session at which time it reviews and approves our strategic direction. The Board also receives updates on our strategic plan at regular Board meetings and from communications to the Board issued by the President.

RISK ASSESSMENT

Our Board is responsible for understanding the principal risks associated with the Company's business and for ensuring that the Manager has implemented appropriate strategies to manage these risks. In addition, the Company has adopted a code of conduct ("Code of Conduct") that sets out the key principles and policies governing our Company and, as discussed above, has adopted an Insider Trading Policy. These policies are reviewed annually by the Board. Our Code of Conduct is available on our website at www.transaltarenewables.com.

INTERNAL CONTROLS

The Board seeks assurance at least annually that our internal control systems and management information systems are operating effectively. The Board has delegated to the Audit Committee the responsibility for reviewing our quarterly and annual financial statements and, when required, for recommending them to the Board for approval. The Audit Committee is also responsible for overseeing the internal audit function carried out by the Manager.

DISCLOSURE AND COMPLIANCE

The Board has the responsibility to review the information prepared by the Manager and to satisfy itself that the financial performance of the Company is adequately reported to Shareholders and other relevant stakeholders (which may include regulators and governments, as well as the employees, customers and suppliers of operating businesses in which the Company and its subsidiaries and affiliates hold a material interest and the communities in which these businesses operate) on a timely and regular basis. In addition, the Board shall ensure that the financial results of the Company are reported fairly and in accordance with applicable laws and generally accepted accounting principles and shall review and ensure the timely reporting of any developments that have a significant and material impact on the value of the securities of the Company. To ensure the prompt disclosure of material information, the Company has adopted a disclosure policy. The disclosure policy requires the timely disclosure of information and a review and approval process by a disclosure committee, which is comprised of senior officers of the Company, to ensure prompt and full disclosure of any material information.

DIVERSITY

The Corporation has incorporated a diversity policy directly into the ANC Charter. Specifically, the ANC Charter provides that in selecting candidates for the Board, the Committee shall consider individuals from diverse backgrounds, having regard to gender, ethnicity, age, business experience, professional expertise, personal skills, stakeholder perspectives and geographic background. Since the Company has no employees and has delegated the day-to-day management to TransAlta, the Company has not adopted a diversity target.

TransAlta has also adopted a Board and Workforce Diversity Policy, outlining its commitment to the hiring of diverse employees throughout the organization. The Company and TransAlta both recognize that a diverse mix of skills, experiences, backgrounds and gender at Board and officer levels enhances both the quality and effectiveness of our performance and is an important aspect to effective corporate governance. The mandate of the Audit Committee has also been expanded to specifically consider individuals from diverse backgrounds, having regard to gender, ethnicity, age, business experience, professional expertise, personal skills, stakeholder perspectives and geographic background in selecting candidates for the Board. These factors will be considered based on the direction of the Company and with the goal of creating a diverse board that together can provide insight, oversight and foresight to benefit the Company. Our Board is currently comprised of one female director (17%) and five male directors (83%).

INDEPENDENCE OF DIRECTORS

An independent director is a director who is independent of management and who has no direct or indirect material relationship or any other relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment. In making this determination the Board adheres to the requirements of applicable Canadian securities laws and stock exchange rules. The Board also undertakes this determination upon the appointment of any new director to the Board. Any former officer of the Company serving on the Board is considered to be non-independent for purposes of corporate governance until such time as the applicable regulatory cooling off period has been met and the independent directors determine that no direct or indirect material relationship exists, taking into consideration the former executive's duties and relationships for and with the Company.

Director	Independent	Non-Independent	Reason for Non-Independence
David Drinkwater	Yes	-	N/A
Brett Gellner	-	Yes	Mr. Gellner is Chief Strategy & Investment Officer of TransAlta and former President and Designated Chief Executive Officer of the Company. He is a TransAlta nominee.
Allen Hagerman	Yes	-	N/A
John Kousinioris	-	Yes	Mr. Kousinioris is President of the Company and Chief Growth Officer of TransAlta. He is a TransAlta nominee.
Kathryn McQuade	Yes	-	N/A
Paul Taylor	-	Yes	Mr. Taylor provides consulting services to TransAlta and is a TransAlta nominee.

INDEPENDENT CHAIR OF THE BOARD

The Board has chosen to separate the positions of Chair of the Board and Chief Executive Officer (or a person acting in such capacity). The Chair of the Board is independent from management and the Company. The role of the Chair of the Board is to effectively manage and to provide leadership to the Board.

The Chair of the Board, Mr. Allen R. Hagerman, is an independent director. Mr. Hagerman has never served as an executive officer of the Company, and the Board has affirmatively determined that he is independent.

MEETING WITHOUT MANAGEMENT OR NON-INDEPENDENT DIRECTORS

After each Board and committee meeting the independent directors hold in camera sessions at which non-independent directors and members of management are not in attendance. Following such in camera sessions, the Chair of the Board discusses with the President any matters raised in these sessions which are relevant to the management and operations of the Company. In 2018, there were 12 in camera sessions held by the independent directors, not including the seven meetings of the Special Committee, none of which included non-independent directors.

ORIENTATION AND CONTINUING EDUCATION

The orientation and continuing education of the directors is the responsibility of the Board. The orientation of directors or new directors is tailored to the needs of the individual and depends on the individual's area of expertise and prior experience. Orientation to date has included delivery of written materials, site visits and participation in meetings with senior management and with key employees of the Manager who can provide insight into the Company's business or operations. The focus of the orientation program is on providing new directors with (i) information about the duties and obligations of directors, (ii) information about the Company's business and operations, (iii) information about the expectations of directors (including, in particular, expectations of time and energy), (iv) opportunities to meet with management of the Company (in this case with employees of the Manager), and (v) access to documents from recent meetings of the Board.

The Board regularly receives continuing education pertaining to the Company's operations and regulatory and competitive environment. The Company has encouraged director participation in courses sponsored by the Institute of Corporate Directors that cover topics that include cyber-security and corporate governance. The directors have also attended several operating facilities, including the Summerview wind farms and TransAlta's Ghost hydro-facility. In 2018, all members of the Board toured the Company's Sarnia cogeneration plant and Kent Breeze wind facilities located in Ontario.

FINANCIAL LITERACY

An individual is defined as financially literate if he or she can read and understand financial statements that are generally comparable in breadth and complexity of issues to those found in our financial statements. The Board has determined that all directors are financially literate according to this definition.

EXTERNAL CONSULTANTS AND OTHER THIRD PARTIES

If any individual director requires the services of an independent advisor to assist him or her with matters involving his or her responsibilities as a Board member, he or she may engage such an advisor at the expense of the Company, provided that he or she has first consulted with the Chair of the Board.

OTHER DIRECTORSHIPS

The following table outlines other public company directorships our directors hold including the committees on which they serve.

Name of Director	Name of Public Company	Stock Exchange	Board/Committee Appointments
David Drinkwater	None	-	-
Brett Gellner	None	-	-
Allen Hagerman	Precision Drilling Corporation	TSX/NYSE	Audit (Chair); Human Resources and Compensation
	Tervita Corporation	TSX	Audit (Chair); Human Resources Compensation
John Kousinioris	None	-	-
Kathryn McQuade	Atria Group, Inc.	NYSE	Audit; Compensation and Finance
Paul Taylor	None	-	-

POSITION DESCRIPTIONS

Board and Audit Committee Chair Position Descriptions

The Board considers that the responsibilities set out in our Guidelines and the ANC Charter, including the committee chair responsibilities, to be comprehensive descriptions of the roles and responsibilities of the Board and the Audit Committee.

President Position Description

The President's position description details the President's key responsibilities, which include: (i) strategic leadership, (ii) financial and compliance leadership, (iii) administrative leadership, and (iv) public leadership. This includes developing, for the Board's approval, the strategic direction of the Company, identifying the principal risks of the Company's business and implementing appropriate systems to manage these risks, developing annual capital commitment and expenditure budgets for approval by the Board and providing effective leadership for the development and maintenance of relationships with various stakeholders.

SUCCESSION PLANNING

The Chair of the Board has the responsibility to lead the Board in monitoring and evaluating the performance of the President and senior management, to ensure the accountability of the President, and to review management succession and development plans for the Company's senior management team.

Under the Management Agreement, substantially all of the management responsibilities and duties of the Company have been delegated to the Manager, including certain roles and responsibilities typical for a chief

executive officer of a company. The Company may terminate the Management Agreement in the event that the Manager breaches or fails to observe or perform any of the Manager's material obligations, covenants or responsibilities under the Management Agreement, and within sixty (60) days after notice from the Company specifying the nature of such breach or failure, the Manager fails to cure such breach or failure if such breach or failure is reasonably remediable within such period, or if such breach or failure is not reasonably remediable within such period, the Manager fails to commence to take, within such period, steps to remedy such default and to thereafter proceed diligently and as expeditiously as reasonably possible to cure or remedy such breach or failure.

BOARD EVALUATIONS

The members of the Board annually assess their performance both as a whole and as individual contributors to the Board. As well, the Audit Committee annually evaluates its performance. The evaluation process comprises both a written questionnaire and one-on-one interviews with the Chair of the Board. Specifically, each director or Audit Committee member, as applicable, completes a written survey which is returned to the Corporate Secretary, who compiles the results on an anonymous basis. The results are presented in camera to the members of the Board or Audit Committee, as applicable. Each director will also receive his or her respective peer review.

BOARD RECRUITMENT

The responsibilities of the Audit Committee include the identification and recommendation of individuals to the Board for nomination as members of the Board. Subject to the Governance and Cooperation Agreement, the Audit Committee shall:

- review, from time to time, the size, composition and profile of the Board, taking into account succession planning, geographical representation, disciplines, professional experience, strategy and direction of the Company and other matters it considers appropriate and which may affect the dynamics of the boardroom, and recommend to the Board any changes to the size, composition or profile of the Board as determined appropriate by the Committee;
- review and propose to the Board for approval, criteria for selecting new directors, after considering the competencies and skills the Board possesses, as a whole, the competencies and skills of each director, and the needs of the Company going forward, including its strategic direction, and determine from this review the competencies and skills that each new nominee should bring to the Board; and
- review annually the qualifications of person(s) proposed for election to the Board.

Pursuant to the Governance and Cooperation Agreement, TransAlta and its affiliates are entitled to direct the Company to nominate up to a majority of the directors of the Company for so long as the percentage of outstanding Common Shares beneficially owned directly or indirectly by TransAlta is not less than 35% of the issued and outstanding Common Shares. If the percentage of outstanding Common Shares beneficially owned directly or indirectly by TransAlta is less than 35% but greater than or equal to 10%, TransAlta shall be entitled to nominate its proportionate share of the directors of the Company (rounded up to the next whole number) based on the percentage of outstanding Common Shares beneficially owned directly or indirectly by TransAlta. Finally, irrespective of the percentage of outstanding Common Shares beneficially owned directly or indirectly by TransAlta, TransAlta is entitled to nominate one director of the Company for so long as the Governance and Cooperation Agreement is in effect. The TransAlta appointees to the Board may be directors, officers or employees of TransAlta or its affiliates or other persons, at TransAlta's discretion. The Shareholders of the Company are entitled to elect the directors of the Company.

The Board has not adopted a formal retirement policy for its directors; rather, the Company relies on robust performance evaluations (described above) and assessments of independence rather than arbitrary term limits to ensure proper Board composition. This approach to Board tenure is flexible enough to account for the contributions of valuable, long-tenured directors. The Chair of the Board is appointed for a three-year term, contingent upon being elected annually by the Shareholders. The Chair of the Board will normally serve no more than two three-year terms, subject to special circumstances arising.

COMPENSATION DISCUSSION AND ANALYSIS

REPORT ON DIRECTOR COMPENSATION

Philosophy and Approach

The Board is responsible for director compensation. The compensation practices for directors take into consideration:

- the size of our business and complexity of our industry;
- the retention and attraction of qualified individuals to serve as directors on our Board;
- the provision of competitive compensation; and
- the importance we place on aligning directors' compensation with the interests of our Shareholders.

Components of Compensation

Retainer, Meeting and Travel Fees

For the financial year ended December 31, 2018, each non-management director was eligible to receive the following compensation:

Board Retainers		
Non-Management Director Annual Retainer (payable in cash or DSUs or both)	\$	100,000
Board Chair Retainer Fee	\$	50,000
Committee Retainers		
Audit Committee Member Annual Retainer Fee	\$	5,000
Audit Committee Chair Retainer Fee	\$	20,000
Meeting Fees		
Board Meeting Fee	\$	1,500
Audit Committee Meeting Fee	\$	1,500
Travel Fees	\$	1,500

In 2017, the Board approved changes to director compensation effective January 1, 2018, which increased the non-management director annual retainer amount from \$70,000 to \$100,000. The annual Board Chair retainer fee amount of \$50,000 (in addition to the Board retainer), the annual Audit Committee Chair retainer fee amount of \$20,000 and the additional annual retainer amount of \$5,000 to members of the Audit Committee did not change. The meeting and travel fees of \$1,500 continue to apply.

Deferred Share Units

In October 2013, the Board adopted a Deferred Share Unit Plan (the "DSU Plan"), pursuant to the terms of which independent directors of the Company will have a choice to receive all or part of their compensation in deferred share units ("DSUs"). Each DSU is a notional share that has the same value as one common share of TransAlta Renewables. DSUs may not be redeemed until the director leaves the Board. As a result, directors maintain an ongoing equity stake in the Company throughout their Board service.

If directors elect to participate in the DSU Plan, DSUs are allocated to their accounts on the 15th day of the last month of each compensation quarter, being March, June, September and December, based on the closing price of a TransAlta Renewables common share on the TSX on that date. The DSU account of each director is also credited with units that are equivalent to cash dividends based on the closing price of a TransAlta Renewables common share on the same date as dividends are paid on our Common Shares.

Upon retirement from the Board, the retiring director will receive a cash amount equal to the number of DSUs held in his or her account calculated on the basis of the market value of a TransAlta Renewables common share at the time the amount is payable, less applicable taxes. At December 31, 2018, the notional value of DSUs outstanding to directors was \$1,035,438, based on the number of DSUs outstanding multiplied by the closing price of a TransAlta Renewables common share on the TSX on December 29, 2018 (the last trading date of 2018) of \$10.37.

Share Ownership Requirements of Directors

The Board believes that directors' compensation should align with Shareholders' interests. As a result, the Board adopted share ownership requirements for non-management directors requiring them to acquire and hold a minimum of three times the director's base annual cash retainer in Common Shares or DSUs within three years of joining the Board, or the effective date of the policy, whichever is later.

In addition, non-management directors are required to acquire and hold Common Shares or DSUs equivalent in value to one time their annual cash retainer within one year of joining the Board or the effective date of the share ownership policy, whichever is later.

The following table shows current share ownership for each of the directors for the years ending December 31, 2018 and 2017.

Name (Year Appointed)	Year	Total Shares and DSUs	Change Year over Year	Market Value ⁽¹⁾	Multiple of Requirement	Multiple of Cash Portion of 2018 Retainer	Ownership Requirement Met ⁽²⁾
David Drinkwater (2013)	2018	24,512	4,559	\$254,189	0.8	3.91x	On track
	2017	19,953		\$267,170			
Brett Gellner ⁽³⁾ (2013)	2018	33,500	0	\$347,395	N/A	N/A	N/A
	2017	33,500		\$448,565			
Allen Hagerman (2013)	2018	53,468	9,979	\$554,463	1.8	N/A ⁽⁴⁾	Yes
	2017	43,489		\$582,317			
John Kousinioris ⁽³⁾ (2017)	2018	2,540	0	\$26,339	N/A	N/A	N/A
	2017	2,540		\$34,010			
Kathryn McQuade (2013)	2018	29,108	8,206	\$301,850	1.0	12.07x	Yes
	2017	20,902		\$279,877			
Paul Taylor (2013)	2018	34,759	6,191	\$360,450	1.2	7.21x	Yes
	2017	28,568		\$382,525			

Notes:

- (1) The 2018 market value is based on the closing price of a TransAlta Renewables' common share on the TSX as of December 31, 2018 (the last trading day of 2018) of \$10.37 per Common Share. The 2017 market value is based on the closing price of a TransAlta Renewables' common share on the TSX as of December 29, 2017 (the last trading day of 2017) of \$13.39 per Common Share.
- (2) Effective January 1, 2018 the annual board retainer was increased from \$70,000 to \$100,000 resulting in a change to the three-year share ownership requirement from \$210,000 to \$300,000. The directors have three years from the date of the change to satisfy the share ownership increase associated with the incremental increase to the annual retainer.
- (3) As officers of TransAlta, the share ownership requirements of TransAlta are applied to Messrs. Gellner and Kousinioris.
- (4) Mr. Hagerman elected to have 100% of his retainer paid in DSUs in 2018.

No Hedging Policy

Directors are prohibited by our Insider Trading Policy from purchasing financial instruments including equity swaps, collars, prepaid variable forward contracts or exchange funds designed to hedge or offset a decrease in market value of their equity holdings.

SUMMARY OF DIRECTORS' COMPENSATION

Name	Fees Earned ⁽¹⁾ (\$)	Share-Based Awards (\$)	Option-Based Awards	Non-Equity Incentive Plan Compensation	Pension Value	All Other Compensation ⁽²⁾ (\$)	Total (\$)
David Drinkwater ⁽³⁾	108,000	35,000	N/A	N/A	N/A	6,000	149,000
Brett Gellner ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Allen Hagerman ⁽⁵⁾	83,000	100,000	N/A	N/A	N/A	1,500	184,500
John Kousinioris ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kathryn McQuade ⁽⁷⁾	73,000	75,000	N/A	N/A	N/A	6,000	154,000
Paul Taylor ⁽⁸⁾	62,000	50,000	N/A	N/A	N/A	4,500	116,500

Notes:

- (1) Includes all fees awarded, earned, paid or payable in cash for services as a director, including annual retainer fees, Board Chair fees, Audit Committee Chair fees, and meeting fees.
- (2) Consists of a \$1,500 travel fee paid to directors who travel to Board or Audit Committee meetings.
- (3) Mr. Drinkwater elected to receive \$35,000 of his \$100,000 Board retainer in DSUs.
- (4) Mr. Gellner is the former President and Designated Chief Executive Officer of the Company. Mr. Gellner has not received director compensation for his service on the Board. His compensation attributable to the Company is reported in the "Summary Compensation Table for NEOs".
- (5) Mr. Hagerman is the Chair of the Board. Mr. Hagerman elected to receive all of his \$100,000 Board retainer fee in DSUs.
- (6) Mr. Kousinioris is the President of the Company. Mr. Kousinioris does not receive director compensation for his service on the Board. His compensation attributable to the Company is reported in the "Summary Compensation Table for NEOs".
- (7) Ms. McQuade is Chair of the Audit Committee. Ms. McQuade elected to receive \$75,000 of her \$100,000 Board retainer in DSUs.
- (8) Mr. Taylor retired from TransAlta on March 31, 2014 and became a non-management director as of April 1, 2014. Mr. Taylor elected to receive \$50,000 of his \$100,000 Board retainer in DSUs.

REPORT ON EXECUTIVE COMPENSATION

For the year-ended December 31, 2018, the Company's Named Executive Officers ("NEOs") were:

- John H. Kousinioris, President;
- Todd Stack, Chief Financial Officer;
- Donald Tremblay, former Chief Financial Officer
- Aron Willis, Senior Vice-President, Gas and Renewables;
- Brent Ward, Managing Director and Treasurer
- Scott Jeffers, Corporate Secretary

These NEOs are also senior officers and employees of TransAlta. Management and administrative services required by the Company are provided by TransAlta pursuant to the Management Agreement.

The NEOs and the other officers of TransAlta Corporation do not receive direct compensation from the Company in respect of the services they provide to the Company, as this is provided for in the G&A Reimbursement Fee (as defined herein). The G&A Reimbursement Fee has been calculated assuming a fixed fee based on the services provided by the NEOs.

The compensation of the NEOs is determined and paid exclusively by TransAlta in their capacities as employees of TransAlta. The Company does not grant any share-based or option-based awards, nor does it maintain any equity or non-equity incentive compensation plans, pension plans or other benefit plans for its executive officers.

MANAGEMENT, ADMINISTRATIVE AND OPERATIONAL SERVICES AGREEMENT

TransAlta, on a sole and exclusive basis, provides us with all the general administrative services as may be required or advisable for the management of the affairs of the Company pursuant to the Management Agreement.

The management services provided by TransAlta under the Management Agreement include, but are not limited to: (i) ensuring that we comply with our continuous disclosure and other obligations under Canadian securities laws; (ii) managing our financing, borrowing and investing activities; (iii) developing, implementing and monitoring our strategic plan; (iv) providing us with investor relations services including the calling and holding of all meetings of our Shareholders; (v) computing any dividends to our Shareholders and overseeing the payment thereof; (vi) undertaking all required acts and responsibilities in connection with the acquisition and disposition of our assets and property; (vii) providing accounting and bookkeeping services, including for the preparation of our annual and interim financial statements and the preparation and filing of all tax returns; (viii) providing information technology services and making available all information technology equipment as may be reasonably necessary; (ix) managing any litigation and other legal services; (x) providing risk management services; (xi) providing office space, equipment and personnel as may be reasonably necessary; (xii) arranging for audit, legal and other third party professional and non-professional services; and (xiii) generally providing all other services as may be necessary, or requested by us, for the management and administration of TransAlta Renewables.

The operational and maintenance services provided by TransAlta under the Management Agreement include, but are not limited to: (i) administering and causing us and each of our operating subsidiaries (the "Operating Entities") to perform and satisfy our and their obligations under all material contracts; (ii) providing or securing operational, management and maintenance services; (iii) providing procurement and logistical services; (iv) providing engineering, technical and evaluation services; (v) providing environment, health and safety services; (vi) ensuring proper training of personnel and the provision of necessary equipment and services; (vii) obtaining and maintaining all permits, authorities and consents required for the conduct of business by the Operating Entities; and (viii) generally providing all other services as may be necessary or requested for the operation and maintenance of the assets held by the Operating Entities.

Pursuant to the Management Agreement, TransAlta has agreed to: (i) perform all services under the Management Agreement in compliance with applicable laws, (ii) observe or cause to be observed and performed on our behalf, in all material respects, all agreements from time to time entered into for and on our behalf and (iii) not commingle the funds of TransAlta Renewables with any party. In the exercise of its powers and authority under the Management Agreement, TransAlta is required to exercise the powers and discharge its duties thereunder honestly, in good faith and in the best interests of the Company and in connection therewith shall exercise that degree of care, diligence and skill that a reasonably prudent manager of a corporation in Canada, having responsibilities of a similar nature to those under the Management Agreement, would exercise in comparable circumstances. TransAlta is prohibited from entering into or committing to any transaction which, in accordance with Applicable Laws (as defined in the Management Agreement), or pursuant to the requirements of any other written agreement between the Company and TransAlta or any of their respective subsidiaries or affiliates, requires the approval of our independent directors or the approval of our Shareholders, unless such approval is first obtained.

TransAlta and its personnel shall devote as much time as is reasonably necessary for the proper discharge of its services under the Management Agreement. We expressly consent in the Management Agreement to TransAlta and its affiliates (other than us) and their respective officers, directors and employees engaging in any business or activities whatsoever, including those that may be in competition or conflict with our business and/or our interests; provided that in the event of a material conflict between our interests and the interests of TransAlta, TransAlta will be required to provide written notice to us setting forth particulars of such conflict and, thereafter, our independent directors shall be responsible to take all such actions and make all such decisions relating to such matter.

In connection with the services provided under the Management Agreement, we pay TransAlta an annual fee (the "G&A Reimbursement Fee"), which fee is meant to cover TransAlta's management, administrative, accounting, planning and other head office costs associated with providing services to us under the Management Agreement. The G&A Reimbursement Fee was initially set at \$10,000,000 per annum and is adjusted annually for changes in the Consumer Price Index ("CPI") and increases or decreases of five per cent of the earnings before interest, tax, and depreciation associated with additions or divestitures of assets. The G&A Reimbursement Fee is payable in equal quarterly installments. On January 6, 2016, the G&A Reimbursement Fee was increased by approximately \$5 million for 2016, which reflects the impact of the acquisition of the economic interest in the Canadian Assets and CPI adjustments. During 2017, we paid TransAlta a development fee of \$1,000,000 upon signing the power purchase agreement with New Brunswick Power for the Kent Hills 3 project. In 2018, TransAlta Renewables paid approximately \$16 million to TransAlta in connection with its services provided under the Management Agreement. We paid a further fee of \$2,000,000 to TransAlta following the commercial operation of Kent Hills 3 in lieu of the annual five per cent of incremental EBITDA that would otherwise be paid pursuant to the Management Agreement. The Corporation also paid to TransAlta a development fee of \$2 million in 2018 in respect of its acquisition of an economic interest in the Big Level and Antrim wind projects.

The G&A Reimbursement Fee is reviewed periodically, and in any event no less than once every five years, to consider, in good faith, whether any adjustments to the G&A Reimbursement Fee are required to reflect changing economic circumstances, regulatory requirements and/or the additional or reduced, as the case may be, time, effort and expense in administering our asset base.

In addition to the G&A Reimbursement Fee, we also reimburse TransAlta for all out-of-pocket and third-party fees and costs, including salaries, wages and benefits associated with managing and operating the assets held by our Operating Entities not captured by the G&A Reimbursement Fee. We directly incur and are responsible for any costs associated with (i) insurance, (ii) compensation for our independent directors, (iii) direct engagement of third-party experts for assessing or valuing a growth opportunity, (iv) third party audit and legal fees, and (v) all other costs associated with being a publicly traded reporting issuer.

The reimbursement of expenses to TransAlta, including through the G&A Reimbursement Fee, or its affiliates is not intended to provide TransAlta or its affiliates with any financial gain or loss.

TransAlta, its affiliates and associates and each of their respective directors, officers and employees are not, either directly or indirectly, liable, answerable or accountable to the Company or any of our Shareholders, for any loss or damage resulting from the performance or non-performance of management services (including any mistake or error of judgment), unless such loss or damage resulted from the fraud, willful default or gross negligence of such party.

Each of the Company and TransAlta, and their respective directors, officers and employees, are indemnified by the other party in certain circumstances arising under the Management Agreement.

The Management Agreement has an initial 20-year term; provided, however, that the Management Agreement shall be automatically renewed for further successive terms of five years after the expiry of the initial term or any renewal term, unless terminated by either party not less than 180 days prior to the expiration of the initial term or any renewal term, as the case may be. The Management Agreement may be terminated by: (a) mutual agreement; (b) the Company upon the occurrence of a material default by TransAlta; and (c) TransAlta (i) upon the occurrence of a material default by the Company or (ii) upon a "Change of Control" of the Company, being the acquisition by any person or group of persons acting jointly and in concert (other than us and our affiliates) of more than 50% of the issued and outstanding Common Shares. In addition, the Management Agreement may be terminated by the Company by a majority vote of our independent directors at any time following TransAlta's direct and indirect ownership in the Company falling below 20%.

The head office of the Manager, TransAlta, is 110 – 12th Avenue S.W., Calgary, Alberta, T2R 0G7. The following table sets out the names and jurisdiction of residence of each of the informed persons (as defined in National Instrument 51-102, Continuous Disclosure Obligations) of the Manager and their respective positions with the Manager:

Name	Jurisdiction of Residence	Position Held with the Manager
Dawn L. Farrell	Alberta, Canada	President, Chief Executive Officer and Director
Rona H. Ambrose	Alberta, Canada	Director
Wayne A. Collins	Alberta, Canada	Executive VP, Coal and Mining Operations
Christophe Dehout	Alberta, Canada	Chief Financial Officer
Dawn E. de Lima	Alberta, Canada	Chief Officer, Business & Operational Services
John P. Dielwart	Alberta, Canada	Director
Timothy W. Faithfull	United Kingdom	Director
Jane Fedoretz	Alberta, Canada	Chief Talent & Transformation Officer
Alan J. Fohrer	California, U.S.A.	Director
Brett M. Gellner	Alberta, Canada	Chief Investment and Strategy Officer
Gordon D. Giffin	Georgia, U.S.A.	Chair of the Board
Scott T. Jeffers	Alberta, Canada	Corporate Secretary
John H. Kousinioris	Alberta, Canada	Chief Growth Officer
Yakout Mansour	California, U.S.A.	Director
Georgia R. Nelson	Illinois, U.S.A.	Director
Kerry O'Reilly	Alberta, Canada	Chief Legal & Compliance Officer
Beverlee F. Park	British Columbia, Canada	Director
Jennifer M. Pierce	Alberta, Canada	Senior VP, Business Development
Bryan D. Pinney	Alberta, Canada	Director
Todd Stack	Alberta, Canada	Managing Director and Corporate Controller
Brent V. Ward	Alberta, Canada	Managing Director and Treasurer
Aron J. Willis	Alberta, Canada	Senior VP, Gas and Renewables Operations

In the fiscal year ended December 31, 2018, none of the above individuals received payments from the Company other than in connection with the compensation attributed by TransAlta to such individual in connection with services provided by such individual to TransAlta Renewables.

A copy of the Management Agreement is available under our profile on SEDAR at www.sedar.com.

SUMMARY COMPENSATION TABLE FOR NEOs

The following table discloses, for the periods indicated, total compensation received by the NEOs in their capacity as employees of TransAlta that has been attributed by TransAlta to the Company for services provided to the Company. The NEOs do not receive any compensation directly from TransAlta Renewables. The Company does not recommend or approve the compensation paid to the NEOs by TransAlta. Therefore, the below amounts represent compensation attributed to TransAlta Renewables but paid by TransAlta, all in accordance with the terms of the Management Agreement.

Name and Principal Position	Year	Non-Equity Incentive Plan Compensation (\$)							All Other Compensation (\$)	Total Compensation (\$)
		Salary (\$)	Share Awards (\$)	Option Awards (\$)	Annual Incentive Plan	Long Term Incentive Plans	Pension Value (\$)			
John Kousinioris	2018	161,536	152,034	38,009	171,838	N/A	142,274	9,775	675,466	
President	2017	140,092	140,092	35,023	174,800	N/A	107,535	8,720	606,261	
	2016	16,570	104,806	34,935	288,115	N/A	86,969	7,285	656,676	
Todd Stack	2018	77,157	45,610	N/A	37,687	N/A	5,840	5,625	171,919	
CFO	2017	70,046	42,028	N/A	36,701	N/A	6,156	5,183	160,114	
	2016	70,046	42,028	N/A	44,668	N/A	6,559	5,183	168,484	
Donald Tremblay	2018	17,158	48,144	12,036	0	N/A	7,602	1,828	86,768	
Former CFO	2017	133,087	133,087	33,272	148,592	N/A	77,275	8,290	533,603	
	2016	127,462	99,290	33,097	135,933	N/A	59,511	7,285	462,677	
Brent Ward	2018	63,892	18,700	N/A	24,742	N/A	3,681	3,497	114,512	
Managing Director and Treasurer	2017	36,692	7,824	N/A	14,190	N/A	2,241	2,148	63,095	
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Aron Willis	2018	109,465	70,057	17,514	106,892	N/A	11,177	7,906	323,011	
Senior VP, Gas and Renewables	2017	92,461	59,175	14,794	105,659	N/A	6,028	6,678	284,795	
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Scott Jeffers	2018	55,500	7,343	N/A	18,984	N/A	3,602	1,530	86,959	
Corporate Secretary	2017	7,518	1,128	N/A	2,347	N/A	493	N/A	11,486	
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Notes:

- (1) Values reported are adjusted for the number of megawatts under management for the Company versus the total megawatts of TransAlta.
- (2) Shares awarded are shares of TransAlta Corporation, not of TransAlta Renewables.
- (3) In 2017 and 2018, TransAlta granted options to each NEO above except for Mr. Stack and Mr. Ward. The Black-Scholes option valuation method was used and the assumptions and calculated fair value were as follows:

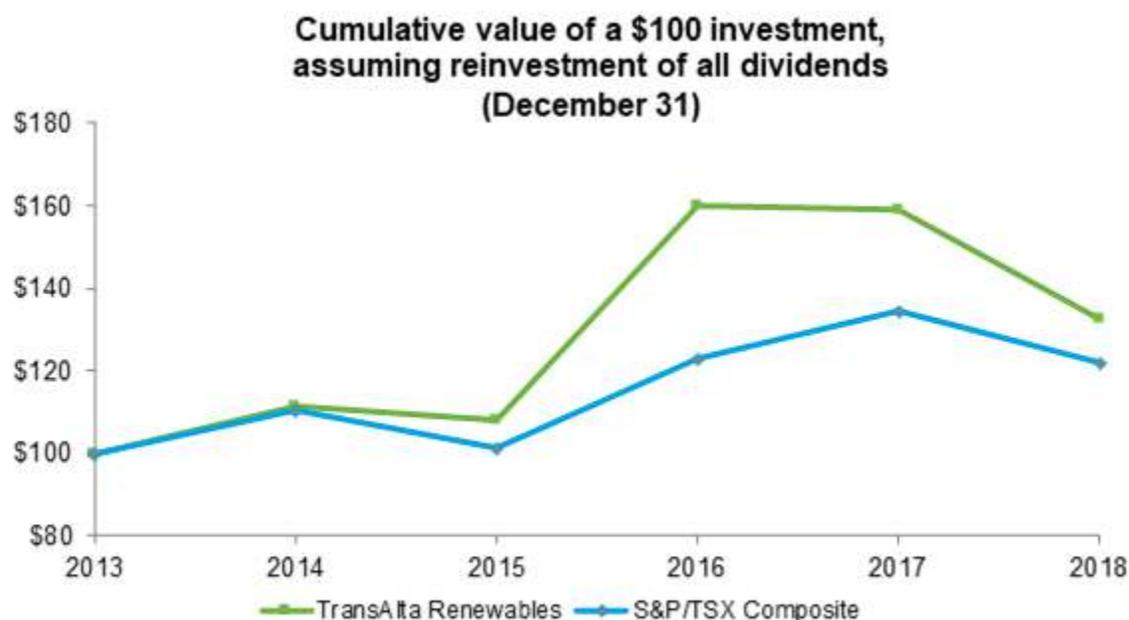
	Grant Date	Grant Price	Term	Risk-free Rate	Volatility	Dividend Yield	Value per Option
2018	January 1, 2018	\$5.59	7 years	1.94%	27.48%	2.15%	\$1.79
2017	March 7, 2017	\$7.25	7 years	1.38%	27.30%	2.21%	\$1.62

The calculated fair values of \$1.79 in 2018 and \$1.62 in 2017 represent 24% and 22%, respectively, of the grant prices. This is above the Company's minimum requirement of 12%, at which point 12% of the grant price would have been used to determine the fair value.

- (4) All other compensation comprises amounts paid to the NEOs with respect to auto allowance, perquisite, and, for Mr. Kousinioris and Mr. Tremblay only, additional life insurance.
- (5) Mr. Kousinioris was appointed President of the Company on November 2, 2017. Prior thereto he served as Corporate Secretary since October 30, 2015.
- (6) Mr. Tremblay ceased to be Chief Financial Officer on May 8, 2018. The compensation for 2018 reflects the actual amounts attributed to the Company for the period January 1, 2018 to May 8, 2018.
- (7) Mr. Willis was appointed Senior Vice-President, Gas and Renewables of the Company on January 31, 2017. The compensation for 2017 reflects the actual amounts attributed to the Company for the period January 31, 2017 to December 31, 2017.
- (8) Effective February 1, 2017, Mr. Stack ceased acting in the office of Treasurer and was appointed to the office of Corporate Controller. Mr. Stack was appointed Chief Financial Officer on May 10, 2018.
- (9) Mr. Ward was appointed as Managing Director and Treasurer of the Company effective May 4, 2017. The compensation for 2017 reflects the actual amounts attributed to the Company for the period May 4, 2017 to December 31, 2017.
- (10) Mr. Jeffers was appointed Corporate Secretary of the Company on November 2, 2017. The compensation for 2017 reflects the actual amounts attributed to the Company for the period November 2, 2017 to December 31, 2017.

PERFORMANCE GRAPH

The Common Shares began trading on the TSX at the opening of business on August 9, 2013. The following graph shows, as at December 31, 2018, the cumulative total Shareholder return (based on a \$100 investment as at January 1, 2014 with all dividends reinvested, compared with the cumulative total return for the same investment in respect of the S&P/TSX Composite Index.



	01-Jan-14	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
TransAlta Renewables	\$100	\$112	\$108	\$160	\$159	\$133
TSX/S&P Composite Total Return Index	\$100	\$111	\$101	\$123	\$135	\$122

Loans to Directors and Officers

We do not make loans to our directors and officers. Therefore, no loans were outstanding to our directors and officers in 2018.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as noted below, there has been no material interest, direct or indirect, of any director or officer of the Company, any person beneficially owning, directly or indirectly, more than 10% of the Company's voting securities, or any associate or affiliate of such person in any transaction within the last financial year or in any proposed transaction which in either case has materially affected or will materially affect the Company or its subsidiaries.

Under the Management Agreement, TransAlta is responsible for providing management and administrative services to the Company and will receive compensation from the Company for such services. See *"Management, Administrative and Operational Services Agreement"* in this Proxy Circular.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Management of the Company is not aware of any material interest, direct or indirect, of any director or nominee for director, or officer or anyone who has held office as such since the beginning of the Company's last financial period or of any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than as disclosed in this Proxy Circular in the discussion of each such matter.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com and on our website at www.transaltarenewables.com. Financial information is provided in the Company's comparative annual financial statements and MD&A for its most recently completed financial year.

TRANSALTA RENEWABLES INC.

GENERAL GOVERNANCE GUIDELINES FOR THE BOARD

A. INTRODUCTION

The Board of Directors (the "Board") is responsible for the stewardship of TransAlta Renewables Inc. (the "Company") and to foster the long-term success of the Company. The Board has the statutory authority and obligation to act honestly and in good faith with a view to the best interests of the Company, including all of its stakeholders. The Board has absolute and exclusive power, control and authority over the property and affairs of the Company. The Board may delegate certain of those powers and authority that the directors, or independent directors, as applicable, deem necessary or desirable to effect the actual administration of the duties of the Board. The responsibilities set forth herein are subject to the Management, Administrative and Operational Services Agreement (the "Management Agreement"), which appoints TransAlta Corporation (the "Manager") the Manager for the Corporation and grants the Manager broad discretion to administer and manage the business and operations of the Corporation.

B. BOARD ORGANIZATION AND MEMBERSHIP

1) Independent Chair of the Board

The Board has chosen to separate the positions of chair of the Board (the "Chair") and Chief Executive Officer (or a person acting in such capacity) (the "CEO"). The Chair is independent from management and the Company. The role of the Chair is to effectively manage and to provide leadership to the Board.

2) Independence of Directors

The Board annually determines the independence of each director. An independent director is a director who is independent of management and who has no direct or indirect material relationship or any other relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment. In making this determination the Board adheres to the requirements of Canadian securities and stock exchange rules and regulations. The Board also undertakes this determination upon the appointment of any new director to the Board.

Any former officer of the Company serving on the Board is considered to be non-independent for purposes of corporate governance until such time as the applicable regulatory cooling-off period has been met and the independent directors determine that no direct or indirect material relationship exists, taking into consideration the former executive's duties and relationships for and with the Company.

C. BOARD MEETINGS AND MATERIALS

1) Agendas and Materials

The Chair and the CEO, together with the Corporate Secretary and/or the Assistant Corporate Secretary, establish the agenda for each Board meeting, ensuring that all matters to be addressed as provided in these guidelines form part of the scheduled agendas for the year. In advance of each meeting, management distributes to the Board written information and data necessary for the Board's understanding of the business to be conducted at the meeting. Any Board member may suggest the inclusion of additional items on the agenda.

The Board is responsible for directing the Manager to ensure that legal and regulatory requirements are met, and that documents and records are properly prepared, approved and maintained. The Board delegates to the Corporate Secretary of the Manager the preparation and maintenance of records of the Company and all subsidiaries, including, but not limited to, articles and by-laws and any amendments thereto, minutes of meetings and resolution of shareholders, notices and securities registers of the Company, at the Company's registered office or at any other place in Canada deemed appropriate by the Corporate Secretary of the Manager.

2) Quorum

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

3) Meetings

Members of senior management are invited to attend Board meetings as required. The independent directors meet without management present as a standing agenda item at each regularly scheduled, in- person Board meeting. The Chair discusses with the CEO any matters raised in these meetings that are relevant for the CEO or the Manager.

D. COMMITTEE ORGANIZATION AND MEETINGS

1) Board Committees

The Board has one standing committee, the Audit Committee. The Board may form a new committee or disband a committee if, in its view, it is appropriate to do so, provided that the Board will always have an audit committee.

2) Assignment of Committee Members

The Board, determines among its members the members of its committees, provided that the members of the Audit Committee are chosen solely from the Board's independent members.

E. DUTIES AND RESPONSIBILITIES

The Board has the responsibility:

- (a) to monitor the Company's progress towards the achievement of its goals and, through the Manager, to establish, revise and alter the Company's strategic plans in light of changing circumstances;
- (b) to review and approve the annual budget, annual financing plans, any payment of dividends and new financings;
- (c) to review and approve annual financial reports, and the related Management's Discussion and Analysis, the Annual Information Form and the annual report;
- (d) to monitor the actions of the Manager, including achievement of strategic plans and objectives and to receive quarterly updates;
- (e) to annually review and monitor compliance with all significant policies and procedures by which the Company is governed and operated; and
- (f) to monitor the Manager in the performance of its services under the Management Agreement and to satisfy itself that the Manager is operating in accordance with the Management Agreement and within applicable laws and regulations and with the highest ethical and moral standards.

F. GENERAL LEGAL OBLIGATIONS OF THE BOARD

- (a) The Board is responsible for:
 - (i) managing or supervising the business and affairs of the Company, including the relationships among the Company, its subsidiaries and affiliates, their shareholders, directors and officers;
 - (ii) acting honestly and in good faith with a view to the best interests of the Company;
 - (iii) exercising the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances;

- (iv) acting in accordance with the Board's responsibilities contained in the Canada Business Corporations Act (the "CBCA"), the securities laws of applicable provinces and territories of Canada, other relevant legislation, regulations and policies, and the Company's Articles and By-Laws;
 - (v) recommending the appointment of an auditor to the shareholders and fixing the remuneration of the auditor if not fixed by the shareholders.
- (b) Pursuant to the CBCA, the following matters will be considered by the Board as a whole and shall not be delegated:
- (A) submitting to the shareholders any question or matter requiring approval of the shareholders;
 - (B) filling a vacancy among the directors or in the office of auditor or appointing additional directors;
 - (C) authorizing the issuance of securities or the issuance of shares in a series;
 - (D) declaring dividends;
 - (E) purchasing, redeeming or otherwise acquiring shares issued by the Company;
 - (F) the payment of a commission to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares;
 - (G) approving any required management proxy circulars;
 - (H) approving any required take-over bid circulars or directors' circulars;
 - (I) approving the annual financial statements; and
 - (J) adopting, amending or repealing the by-laws of the Company.

G. DISCLOSURE AND COMPLIANCE REPORTING

The Board has the responsibility:

- (a) to review the information prepared by the Manager and to satisfy itself that the financial performance of the Company is adequately reported to shareholders and other relevant stakeholders (which may include regulators and governments, as well as the employees, customers and suppliers of operating business in which the Company and its subsidiaries and affiliates hold a material interest and the communities in which these businesses operate) on a timely and regular basis;
- (b) to ensure that the financial results of the Company are reported fairly and in accordance with applicable laws and generally accepted accounting principles; and
- (c) to review and ensure the timely reporting of any developments that have a significant and material impact on the value of the securities of the Company.

H. RISK ASSESSMENT

- (a) The Board, either directly or through the Audit Committee, is responsible for understanding the principal risks associated with the Company's business and for ensuring that the CEO and the Manager have identified the principal risks and have implemented appropriate strategies and systems to monitor, manage and mitigate these risks.
- (b) The Company has adopted a Code of Conduct that is reviewed and approved that sets out the key principles and policies governing the organization.

- (c) The Company has adopted an Insider Trading Policy, which is reviewed annually by the Board. The policy requires, among other things, that directors and officers adhere to a trading blackout when in possession of material non-public information.

I. OUTSIDE ADVISORS FOR INDIVIDUAL DIRECTORS

If any individual director requires the services of an independent advisor to assist him or her with matters involving his or her responsibilities as a Board member, he or she may engage such an advisor at the expense of the Company provided that he or she has first consulted with the Chair of the Board.

SOLICITATION OF PROXIES

The solicitation will be made primarily by mail and the cost will be borne by the Company. Employees of TransAlta Corporation may solicit proxies without compensation by telephone, email, facsimile or in person.