

The Annual Meeting of Shareholders
will be held at 11:00 a.m. MDT
on Friday, May 2, 2014,
in Calgary, Alberta.
This Document Contains:

- Notice of Meeting
- Proxy Circular

TransAlta Renewables^{Inc.} Management Proxy Circular

This document contains important information for shareholders. Your participation is very important. Please take a minute to submit your proxy today or vote by phone or through the internet in accordance with the instructions set forth in the proxy.

ANNUAL MEETING OF SHAREHOLDERS

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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 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 2014 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 and wind 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; operational risks involving our facilities, including unplanned outages at such facilities; disruptions in the transmission and distribution of electricity; effects of weather; disruptions in the source of water or wind required to operate our facilities; natural 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.

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TransAlta renewables inc.

INVITATION TO SHAREHOLDERS

March 14, 2014

Dear Shareholder,

You are cordially invited to attend our 2014 Annual Meeting of Shareholders of TransAlta Renewables Inc. (the “**Meeting**”), which will take place on May 2, 2014 at 11:00 a.m. (local time) in the Grand Lecture Theatre at The Metropolitan Conference Centre, located at 333 Fourth Avenue SW, in Calgary, Alberta. At the Meeting, you will have the opportunity to hear about our performance in 2013 and management’s plans going forward. You will also be able to meet and ask questions of the Board of Directors and management.

Attached are the Notice of Annual Meeting of Shareholders and the Management Proxy Circular, which contain details of the business to be conducted at the Meeting and provide information with respect to executive compensation and our governance practices and principles. We hope you will take the time to review this circular and provide your vote on the business items of the Meeting. Your vote and participation are very important.

If you are unable to attend the Meeting in person, you can vote by telephone, via the Internet or by completing and returning the enclosed proxy. Please refer to the “Voting Information” section of the Management Proxy Circular for more information.

The Meeting will also be webcast at www.transaltarenewables.com. We encourage you to visit our website at any time before the Meeting as it provides information about the Company.

We look forward to seeing you at the meeting.

Sincerely,



Allen R. Hagerman
Chair of the Board



Brett M. Gellner
President and Designated Chief Executive Officer

NOTICE

The 2013 Annual Report is available on our website at www.transaltarenewables.com and on SEDAR at www.sedar.com. Anyone wishing to receive a paper copy of the 2013 Annual Report may obtain one free of charge by contacting TransAlta Renewables’ transfer agent, CST Trust Company, or by contacting our Investor Relations Department at 403.267.2520 or toll free at 1.800.387.3598.

CST Trust Company
P.O. Box 700
Station “B”
Montreal, Quebec H3B 3K3

Telephone:
1.800.387.0825

Online:
www.canstockta.com

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholder,

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "**Meeting**") of holders of common shares of TransAlta Renewables Inc. ("**TransAlta Renewables**", or the "**Company**") will be held on May 2, 2014 at 11:00 a.m. (local time) in the Grand Lecture Theatre at The Metropolitan Conference Centre, located at 333 Fourth Avenue SW, 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, 2013 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 provided in connection with the Meeting. **Only shareholders of record at the close of business on March 7, 2014 are entitled to receive notice and to vote at the Meeting or any adjournment thereof. Proxies must be returned to TransAlta Renewables' Transfer Agent and Registrar, CST Trust Company, 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 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 this Proxy Circular.**

The Proxy Circular and the Proxy accompany this Notice.

By order of the Board of Directors



Maryse C. St.-Laurent
Vice-President and Corporate Secretary

Calgary, Alberta
March 14, 2014

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular ("Proxy Circular") is furnished to shareholders in connection with the solicitation of proxies by and on behalf of the management of TransAlta Renewables Inc. ("TransAlta Renewables", the "Company", "we" and "our") and the Board of Directors (the "Board") for use at the Annual Meeting of Shareholders of the Company (the "Meeting") to be held on May 2, 2014 at 11:00 a.m. (local time) in the Grand Lecture Theatre at The Metropolitan Conference Centre, located at 333 Fourth Avenue SW, in Calgary, Alberta, or any adjournment thereof, for the purposes set out in the Notice of Annual Meeting of Shareholders (the "Notice of Meeting").

GENERAL INFORMATION

This Proxy Circular was provided to you because you owned common shares in TransAlta Renewables at the close of business on March 7, 2014, the record date set for the Meeting. As a shareholder, you have the right to attend the Meeting and vote your TransAlta Renewables shares. You may vote in person or by proxy, using the enclosed form.

ABOUT THIS DOCUMENT

This Proxy Circular contains information about the Meeting, the voting process, what will be addressed and other information you need to know, such as:

- the directors nominated for election to our Board;
- the appointment of auditors;
- our corporate governance practices; and
- our 2013 compensation for our directors and officers.

VOTING AND SOLICITATION OF PROXIES

We believe it is important for all shareholders to vote. To encourage your vote, you may be contacted by TransAlta employees by telephone, email, and facsimile or in person.

We reimburse brokerage houses and other agents, custodians, nominees and fiduciaries for the expense of forwarding this Proxy Circular to the beneficial owners of our common shares.

TRANSFER AGENT

CST Trust Company succeeded CIBC Mellon Trust Company as our transfer agent. On November 1, 2010, CIBC Mellon Trust Company sold its issuer services business to Canadian Stock Transfer Company Inc. which operated the business on their behalf until August 30, 2013, at which time CST Trust Company, an affiliate of Canadian Stock Transfer Company Inc., received federal approval to commence business.

DATE OF INFORMATION

Except as otherwise stated, information in this Proxy Circular is provided as of March 14, 2014.

MAILING OF PROXY CIRCULAR

Our Proxy Circular is being mailed (either physically or electronically) to all shareholders of record as at March 7, 2014, the record date set for the Meeting. We will provide proxy materials to brokers, custodians, nominees and fiduciaries and we ask that the materials be forwarded promptly to our beneficial shareholders.

AVAILABILITY OF DOCUMENTS

As a shareholder you received our 2013 Annual Report in this package.

If you are a registered shareholder and do not want to receive our Annual Report next year or wish to receive interim reports, please fill out and return the *Registered Shareholder Form* included in this package.

If you are a beneficial shareholder, you will be asked this year whether or not you wish to receive copies of our annual or interim reports for 2014. If you wish to receive such materials, please complete the appropriate section of the *Request for Voting Instructions Form* included in your package.

You will find additional information regarding our business 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, 2013. Copies of these documents and other important documents are on our website at www.transaltarenewables.com and on SEDAR at www.sedar.com.

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

Investor Relations
TransAlta Renewables Inc.
110 – 12th Avenue SW
Box 1900, Station "M"
Calgary, Alberta T2P 2M1

1.800.387.3598 (toll-free) North America
403.267.2520 Calgary / outside North America:
investor_relations@transalta.com

CST Trust Company
P.O. Box 700
Station "B"
Montreal, Quebec H3B 3K3

1.800.387.0825 (toll-free) North America
416.682.3860 Toronto / outside North America
inquiries@canstockta.com

COMMUNICATING WITH THE BOARD

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

Vice-President and Corporate Secretary
TransAlta Renewables Inc.
110 – 12th Avenue SW
Box 1900, Station "M"
Calgary, Alberta T2P 2M1

E-mail: corporate_secretary@transalta.com

REPORTING CONCERNS

The Board, through the oversight of 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:

- Email to the Ethics Help Line at ethics_helpline@transalta.com; or
- Fax addressed to the Director, Internal Audit at the confidential fax line 403.267.7985; or
- A confidential, anonymous voice mail on the TransAlta Ethics Help Line at 1.888.806.6646; 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

As an eligible shareholder, if you wish to submit a proposal for our 2015 Annual Meeting of Shareholders, you must do so no later than December 12, 2014. You must submit it to:

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

VOTING INFORMATION

WHO CAN VOTE

If you held common shares of TransAlta Renewables at the close of business on March 7, 2014, you are entitled to attend the Meeting or any adjournment thereof and vote your common shares. Each common 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 7, 2014, there were 114,666,668 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:

<u>Name of Holder</u>	<u>Type of Ownership</u>	<u>Number of Voting Securities Owned</u>	<u>Percentage of Outstanding Voting Securities Owned</u>
TransAlta Corporation Calgary, Alberta	Direct/Indirect	92,566,668 common shares ⁽¹⁾	80.7%

Note:

(1) Includes 25,000,000 common shares held by TransAlta Generation Partnership of which TransAlta Corporation is the general partner.

Pursuant to the terms of a governance and cooperation agreement between the Company and TransAlta Corporation ("**TransAlta**" or, where applicable, the "**Manager**") dated August 9, 2013 (the "**Governance and Cooperation Agreement**"), the Board is currently comprised of six individuals, three of whom are appointed by TransAlta. TransAlta is entitled to nominate 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 Management, Administrative and Operational Services Agreement between the Company and TransAlta is in effect. 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 of TransAlta who are directors, officers or employees of TransAlta or its affiliates are not entitled to any compensation from the Company, except as otherwise described herein. Subject to any requirements of the Canada Business Corporation Act, TransAlta is entitled to nominate for appointment or election to the Board a replacement director for any nominee director of 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 will be appointed by the Board, and will be independent as determined in accordance with Canadian Securities Regulators' National Instrument 52-110, Audit Committees ("**NI 52-110**")

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 such, TransAlta will necessarily cast a majority of the votes to be cast in an 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.

Attending the Meeting

If you attend the Meeting in person, it is not necessary to complete and return the Proxy. Please register with our Registrar and Transfer Agent, CST Trust Company, when you arrive at the Meeting.

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 (called your proxyholder). Common 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 common shares will be voted accordingly.

Brett M. Gellner (President and Designated Chief Executive Officer) and Allen R. Hagerman (Chairman of the Board) have agreed to act as your proxyholder. 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 our Transfer Agent, CST Trust Company, when they arrive at the Meeting.

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

Step 1: Complete, date and sign the Proxy in accordance with the instructions included on the Proxy.

Step 2: Return the completed form in the envelope provided to CST Trust Company, Attention: Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1.

To be voted at the Meeting, the 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 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 common shares are registered in the name of an intermediary, that is your certificate was deposited with a bank, trust company, securities broker, trustee or other institution.

Vote through your Nominee

To vote your common shares held through an intermediary, you must follow the instructions on the *Request for Voting Instructions Form* provided by your intermediary.

Vote in person at the Meeting

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

- Appoint yourself as the proxyholder by writing your own name in the space provided on the *Request for Voting Instructions Form*. Do not complete the voting section on the request for voting instructions as your vote will be taken at the Meeting; and
- Return the *Request for Voting Instructions Form* to your intermediary in the envelope provided or by the facsimile number provided.

Note: If you are a U.S. beneficial shareholder and you wish to attend the Meeting and vote your common 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 its transfer agent, prior to the proxy deposit date in order to vote your common shares in person at the Meeting.

Vote by telephone or the Internet

You may vote by telephone or the Internet by following the instructions for telephone and Internet voting on the *Request for Voting Instructions Form*.

CHANGING YOUR VOTE

Registered Shareholders

You may revoke your Proxy in writing addressed to TransAlta Renewables Inc., 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 deposited at 110 – 12th Avenue SW, Calgary, Alberta, T2P 2M1, Attention: Vice-President and Corporate Secretary. You must revoke your Proxy **not less than 48 hours** (excluding Saturdays, Sundays and holidays) prior to the time fixed for the Meeting, or any adjournment thereof, at which the Proxy is to be used, or in person with the Chair of the Meeting prior to the start of the Meeting, or any adjournment thereof.

You may also revoke your Proxy by submitting new voting instructions, which will revoke any prior instructions.

Non-Registered 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

CST Trust Company, our transfer agent, counts the votes and will only show us a Proxy form if:

- it is required by law;
- there is a proxy contest; or
- a shareholder has written comments on the Proxy form that are clearly intended for TransAlta Renewables management.

1. BUSINESS OF THE MEETING

WHAT THE MEETING WILL COVER

There are two items of business:

ELECTION OF DIRECTORS

- Voting is conducted on an individual director basis.
- In 2013, our overall directors' attendance at meetings of the Board was 98%.

NOMINEES

The 6 directors being nominated for election in 2014 are:

David W. Drinkwater
Brett M. Gellner
Allen R. Hagerman

Cynthia Johnston
Kathryn A.B. McQuade
Paul H.E. Taylor

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. Brett M. Gellner, President and Designated Chief Executive Officer of the Company and Chief Investment Officer and Chief Financial Officer of TransAlta;
- (b) Ms. Cynthia Johnston, Chief Operating Officer of the Company and Executive Vice-President, Corporate Services of TransAlta; and
- (c) Mr. Paul H.E. Taylor, President, U.S. Operations and Executive Vice-President, Canadian Coal of TransAlta.

There are no family relationships between any of the nominated 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.

DIRECTOR NOMINEE INFORMATION

David W. Drinkwater⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ – Independent Director



Ontario, Canada

Director Since June 2013

Age: 65

Holdings: 2,000

Corporate Director. Mr. Drinkwater is a Senior Advisor to Rothschild Canada. 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.

Mr. Drinkwater holds an LL.M. from the London School of Economics, an LL.B. from Dalhousie University and a B.A. in Business Administration from the Richard Ivey School of Business at the University of Western Ontario.

Areas of Expertise

Economics & Business	Law / Regulatory
Electric Energy / Utility	Mergers and Acquisitions
Financial Services / Investment	Strategy and Development
Banking	
Government	Technology, Research, Telecommunication
Large Infrastructure	Trading

Board/Committee Membership	Attendance	Attendance Total
Board of Directors – Regular	3 of 3	3 of 3 (100%)
Board of Directors - Special	3 of 3	3 of 3 (100%)
Audit Committee	2 of 2	2 of 2 (100%)

Securities Held as at December 31 of respective year

Year	Common Shares	Total	Market Value ⁽⁶⁾
2013	2,000	2,000	\$21,980.00

Minimum Shareholding Requirements as at December 31, 2013

Requirement	Requirement Met
\$180,000	On track ⁽⁷⁾

Value of Compensation Received

Year	Total Compensation
2013	\$45,645

Other Public Board Directorships

Company	Board/Committee Appointments
None	

Brett M. Gellner⁽¹⁾ – Non-Independent Director



Alberta, Canada

Director Since May 2013

Age: 50

Holdings: 15,000

President and Designated Chief Executive Officer.

Mr. Gellner is President and Designated Chief Executive Officer of the Company. Mr. Gellner is also the Chief Investment Officer and Chief Financial Officer of TransAlta and is responsible for all financial policy, planning and reporting, as well as mergers and acquisitions, tax, treasury, risk management, internal audit, and investor relations. Prior to his current appointment, 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	Financial Services / Investment Banking
Economics & Business	Mergers and Acquisitions
Electric Energy/ Utility	Strategy and Development

Board/Committee Membership	Attendance	Attendance Total
Board of Directors – Regular	3 of 3	3 of 3 (100%)
Board of Directors – Special	3 of 3	3 of 3 (100%)

Securities Held as at December 31 of respective year

Year	Common Shares	Total	Market Value⁽⁶⁾
2013	15,000	15,000	\$164,850.00

Minimum Shareholding Requirements as at December 31, 2013⁽⁸⁾

N/A

Value of Compensation Received⁽⁹⁾

Year	Total Compensation
2013	N/A

Other Public Board Directorships

Company	Board/Committee Appointments
None	

Allen R. Hagerman⁽¹⁾⁽¹⁰⁾ – Independent Director



Alberta, Canada
 Director Since June 2013
 Age: 62
 Holdings: 25,000

Corporate Director. Mr. Hagerman is Executive Vice President of Canadian Oil Sands Limited, an oil sands mining and upgrading entity. He is currently responsible for overseeing crude oil marketing operations. Prior to 2007, Mr. Hagerman was Chief Financial Officer of Canadian Oil Sands Limited. Mr. Hagerman is a director and chair of the audit committee of Precision Drilling Corporation and a director of the Calgary Exhibition and Stampede. He is also a member of the Financial Executives Institute and a 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. and Governor of the University of Calgary. 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 ICD.D. certification from the Institute of Corporate Directors and is a member of the ICD Calgary Chapter.

Areas of Expertise

Accounting, Finance & Tax	Large Infrastructure
Economics & Business	Marketing
Electric Energy / Utility	Mergers and Acquisitions
Government Affairs; Public Administration	Mining
Human Resources / Organizational Design	Oil & Gas
Insurance	Strategy and Development
International Operating Experience	Trading

Board/Committee Membership	Attendance	Attendance Total
Board of Directors – Regular	3 of 3	3 of 3 (100%)
Board of Directors – Special	3 of 3	3 of 3 (100%)
Audit Committee	2 of 2	2 of 2 (100%)

Securities Held as at December 31 of respective year

Year	Common Shares	Total	Market Value⁽⁶⁾
2013	25,000	25,000	\$274,750.00

Minimum Shareholding Requirements as at December 31, 2013

Requirement	Requirement Met
\$180,000	Yes

Value of Compensation Received

Year	Total Compensation
2013	\$57,473

Other Public Board Directorships

Company	Board/Committee Appointments
Precision Drilling Corporation	Audit Human Resources and Compensation

Cynthia Johnston⁽¹⁾ – Non-Independent Director



Alberta, Canada
 Director Since June 2013
 Age: 52
 Holdings: 2,500

Chief Operating Officer. Ms. Johnston is the Chief Operating Officer of the Company. Ms. Johnston is also the Executive Vice-President, Corporate Services of TransAlta and is responsible for Information Technology, Supply Chain Management, Engineering & Construction, Land, and TransAlta's Project Management Office. Prior to this role, she was TransAlta's Vice-President of Renewable Operations, accountable for TransAlta's wind and hydroelectric generation operations across five Canadian provinces. Preceding TransAlta, she spent over five years with FortisAlberta Inc., leading regulatory and legal affairs.

Ms. Johnston has over 27 years of experience in the electricity industry and has a Bachelor of Arts in Economics from the University of Calgary and a Master of Arts in Applied Economics from the University of Victoria.

Areas of Expertise		
Economics & Business		Mergers and Acquisitions
Electric Energy / Utility		Strategy and Development

Board/Committee Membership	Attendance	Attendance Total
Board of Directors – Regular	3 of 3	3 of 3 (100%)
Board of Directors – Special	2 of 3	2 of 3 (67%)

Securities Held as at December 31 of respective year			
Year	Common Shares	Total	Market Value ⁽⁶⁾
2013	2,500	2,500	\$27,475.00

Minimum Shareholding Requirements as at December 31, 2013 ⁽⁸⁾
N/A

Value of Compensation Received ⁽⁹⁾	
Year	Total Compensation
2013	N/A

Other Public Board Directorships	
Company	Board/Committee Appointments
None	

Kathryn A. B. McQuade⁽²⁾⁽¹¹⁾⁽¹²⁾ – Independent Director



Nevada, U.S.A.
 Director Since June 2013
 Age: 57
 Holdings: Nil

Corporate Director. Ms. McQuade is currently an independent business person. 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. Ms. McQuade has been a director of North West Upgrading Inc. since May 2010. She also serves 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 and Consolidated Rail Corporation.

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

Areas of Expertise

Accounting, Finance & Tax	Strategy and Development
Economics & Business	Technology and Telecommunication
Mergers and Acquisitions	Transportation

Board/Committee Membership	Attendance	Attendance Total
Board of Directors – Regular	3 of 3	3 of 3 (100%)
Board of Directors – Special	3 of 3	3 of 3 (100%)
Audit Committee	2 of 2	2 of 2 (100%)

Securities Held as at December 31 of respective year

Year	Common Shares	Total	Market Value
2013	Nil	Nil	\$Nil

Minimum Shareholding Requirements as at December 31, 2013

Requirement	Requirement Met
\$180,000	On track ⁽⁷⁾

Value of Compensation Received

Year	Total Compensation
2013	\$52,137

Other Public Board Directorships

Company	Board/Committee Appointments
Altria Group, Inc.	Audit Committee Compensation Committee Finance Committee

Paul H. E. Taylor – Non-Independent Director



Washington, U.S.A.
 Director Since June 2013
 Age: 59
 Holdings: 2,500

President, U.S. Operations and Executive Vice-President, Canadian Coal. Mr. Taylor is the President, U.S. Operations and Executive Vice-President, Coal of TransAlta and is 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 developer. 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 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 the Chair of the Insurance Corporation of British Columbia.

Areas of Expertise

Electric Energy / Utility	Mining
Government	Mergers and Acquisitions
Insurance	Strategy and Development

Board/Committee Membership	Attendance	Attendance Total
Board of Directors – Regular	3 of 3	3 of 3 (100%)
Board of Directors – Special	3 of 3	3 of 3 (100%)

Securities Held as at December 31 of respective year

Year	Common Shares	Total	Market Value⁽⁶⁾
2013	2,500	2,500	\$27,475.00

Minimum Shareholding Requirements as at December 31, 2013⁽⁸⁾

N/A

Value of Compensation Received⁽⁹⁾

Year	Total Compensation
2013	N/A

Other Public Board Directorships

Company	Board/Committee Appointments
None	

Notes:

- (1) The following nominee directors are Canadian residents: David W. Drinkwater, Brett M. Gellner, Allen R. Hagerman, and Cynthia Johnston.
- (2) Member of the Audit Committee.
- (3) Mr. Drinkwater was a director of Hollinger Inc. from August 2005 to June 2008. Mr. Drinkwater agreed to join the Hollinger Inc. board of directors at the request of a shareholder to deal with certain management misconduct. On August 1, 2007, Hollinger Inc. obtained an initial court order granting it creditor protection under the *Companies' Creditors Arrangement Act (Canada)* and made a concurrent application for a companion order under Chapter 15 of the United States Bankruptcy Code.
- (4) Mr. Drinkwater was a director of Hollinger Inc. from August 2005 to June 2008. Hollinger Inc. was the subject of several cease trade orders issued between 2004 and 2008, due to its failure to file financial statements on a timely basis, and Mr. Drinkwater became subject to certain such orders as a result of his appointment as a director.
- (5) 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.
- (6) The 2013 market value is based on the closing price on December 31, 2013 (the last trading day of 2013) of \$10.99.
- (7) Mr. Drinkwater and Ms. McQuade were each appointed to the Board on June 18, 2013. The Company adopted a share ownership policy, on October 29, 2013. Under the terms of the policy, non-management Directors have until October 29, 2014 to meet the one-year share ownership requirement, and until October 29, 2016, to meet the three-year requirement.
- (8) Mr. Gellner, Ms. Johnston and Mr. Taylor are officers of TransAlta Corporation which holds an 80.7% interest in the Company.
- (9) Mr. Gellner, Ms. Johnston and Mr. Taylor are executive officers of the Company and do not receive director compensation. Their compensation is determined and paid exclusively by TransAlta in their capacity as employees of TransAlta. The compensation allocated to the Company for the services rendered by the Names Executive Officers is provided in the "Summary Compensation Table" in this Proxy Circular.
- (10) Chair of the Board.
- (11) Chair of the Audit Committee.
- (12) 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.

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

DIRECTOR MEETING ATTENDANCE

Directors are expected to attend all regularly scheduled meetings of the Board and its committees. Aggregate attendance for our directors is 98%. The attendance on an individual director basis is set out in the following table and under each director's personal biography in "Business of the Meeting – Election of Directors – Director Nominee Information".

Name	Board Meetings		Audit Committee Meetings	Total Attendance
	Regular	Special		
David W. Drinkwater	3 of 3	3 of 3	2 of 2	8 of 8 (100%)
Brett M. Gellner ⁽¹⁾	3 of 3	3 of 3	-	6 of 6 (100%)
Allen R. Hagerman (Chair of the Board)	3 of 3	3 of 3	2 of 2	8 of 8 (100%)
Cynthia Johnston ⁽¹⁾	3 of 3	2 of 3	-	5 of 6 (83%)
Kathryn A.B. McQuade (Chair of the Audit Committee)	3 of 3	3 of 3	2 of 2	8 of 8 (100%)
Paul H.E. Taylor ⁽¹⁾	3 of 3	3 of 3	-	6 of 6 (100%)
Total	18 of 18	17 of 18	6 of 6	41 of 42 (98%)

Notes:

- (1) Mr. Gellner, Ms. Johnston and Mr. Taylor are not members of the Audit Committee of the Board.

INTER-LOCKING DIRECTORSHIPS

There are no inter-locking directorships on the Board of Directors of TransAlta Renewables.

SKILLS MATRIX

	Drinkwater	Gellner	Hagerman	Johnston	McQuade	Taylor	Summary
Business Segment							
Construction							0
Electric Energy / Utility	√	√	√	√		√	5
Financial Services / Investment Banking	√	√					2
Government	√					√	2
Insurance			√			√	2
Law / Regulatory	√						1
Large Infrastructure	√		√				2
Mining			√			√	2
Oil & Gas			√				1
Technology / Research / Telecommunications	√				√		2
Trading	√		√				2
Transportation					√		1
Professional Background							
Accounting, Finance & Tax		√	√		√		3
Economics & Business	√	√	√	√	√		5
Engineering & Technical							0
Government Affairs, Public Administration			√				1
Human Resources / Organizational Design			√				1
International Operating Experience			√				1
Law and/or Regulatory	√						1
Marketing			√				1
Strategic Competencies / Experience							
Active CEO		√					1
Recent CEO (last five years)						√	1
Recent CFO / Senior Executive (last five years)	√	√		√	√	√	5
Business Owner or Advisor	√						1
Public Life						√	1
Professional Role / Advisor	√						1
Mergers and Acquisitions Experience	√	√	√	√	√	√	6
Strategy Experience (development)	√	√	√	√	√	√	6

FINANCIAL STATEMENTS

You will receive the Company's 2013 audited consolidated financial statements, the auditors' report and the related management's discussion and analysis. Copies will also be available at the Meeting. In addition, such documents are also available on SEDAR 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 will not constitute a request for approval or disapproval.

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. 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 year ended December 31, 2013, Ernst & Young LLP and its affiliates were paid \$100,000, as detailed below:

Ernst & Young LLP	
Year Ended December 31	2013
Audit Fees	\$ 100,000
Audit-related fees	
Tax fees	
All other fees	
Total	\$ 100,000

No other audit firms provided audit services in 2013. The nature of each category of fees is described below:

AUDIT FEES

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements or services provided in connection with statutory and regulatory filings or engagements, including the translation from English to French of the Company's financial statements and other documents.

AUDIT RELATED FEES

Nil

TAX FEES

Nil

ALL OTHER FEES

Nil

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

As of the date of this Proxy Circular, the Board and management are not aware of any other items of business to be brought before the Meeting.

OTHER BUSINESS

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 form of proxy to vote the shares represented thereby in accordance with their best judgment on such matter.

2. 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 with the Manager, the Board has delegated to the Manager 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 business and affairs in a manner that ensures that their private or personal interests do not interfere or appear to interfere with the interest 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, Administrative and Operational Services 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 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 of the Company shall be the actions taken by TransAlta Renewables.

INSIDER TRADING

Our insider trading policy ("**Insider Trading Policy**") imposes restrictions on insiders 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 following measures:

- 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 end and end at the close of trading on the second trading day after we issue the news release or disclose our financial results;
- publishing and communicating the dates for regular blackout periods and sending a monthly reminder to all 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 ROLE OF THE BOARD

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 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 our Company. Our guidelines may be found in Appendix "A" to this Proxy Circular and on our website at www.transaltarenewables.com.

The Board has one standing committee, the Audit Committee. The Audit Committee has adopted a charter which outlines the duties and responsibilities of the Chair as well as those of the full committee. The Audit Committee charter is available on our website at www.transaltarenewables.com or at www.sedar.com as an Appendix to our Annual Information Form.

The Board has delegated to the President and Designated Chief Executive Officer 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, Administrative and Operational Services Agreement, the Board has delegated to TransAlta, as Manager, broad discretion to administer and manage the business and operations of the Company. The 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.

STRATEGIC PLANNING

The 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 and Designated Chief Executive Officer.

RISK ASSESSMENT

The 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 that sets out the key principles and policies governing our Company and, as discussed above, has adopted an Insider Trading Policy. These policies are to be 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 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 policy requires the timely disclosure of information and a review and approval process by a disclosure committee, which comprise the senior officers of the Company, to ensure prompt and full disclosure of any material information.

INDEPENDENCE OF DIRECTORS

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 is independent from management and the Company. The role of the Chair is to effectively manage and to provide leadership to the Board.

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 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.

Directors	Independent	Not Independent	Reason for Non-independence
David W. Drinkwater	√		
Brett M. Gellner		√	President and Designated Chief Executive Officer of the Company and Chief Investment Officer and Chief Financial Officer of TransAlta
Allen R. Hagerman (Chair of the Board)	√		
Cynthia Johnston		√	Chief Operating Officer of the Company and Executive Vice-President, Corporate Services of TransAlta
Kathryn A.B. McQuade (Chair of the Audit Committee)	√		
Paul H.E. Taylor		√	President, U.S. Operations and Executive Vice-President, Canadian Coal

DIRECTORS WHO ARE NOT INDEPENDENT

Mr. Brett M. Gellner, who is Director and President and Designated Chief Executive Officer of the Company is also Chief Investment Officer and Chief Financial Officer of TransAlta and, therefore, is not independent. Ms. Cynthia Johnston, who is Director and Chief Operating Officer of the Company, is also Executive Vice-President, Corporate Services of TransAlta and, therefore, is not independent. Mr. Paul H.E. Taylor, Director of the Company, is also President, U.S. Operations and Executive Vice-President, Canadian Coal of TransAlta and, therefore, is not independent.

BOARD CHAIR INDEPENDENCE

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. The role of the Chair is to effectively manage and to provide leadership to the Board.

MEETING WITHOUT MANAGEMENT OR NON-INDEPENDENT DIRECTORS

After each in person meeting, as a regular item on each Board and committee agenda, 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 discusses with the President and Designated Chief Executive Officer any matters raised in these sessions which are relevant for the management and operations of the Company.

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, participation in meetings with senior management and with key employees of the Manager who can provide insight into the business or into the Company's 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.

Directors are also expected to take part in site visits of the Company's operating facilities in order to gain a better understanding of the Company's operations.

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.

ATTENDANCE

We expect directors to attend all regularly scheduled Board and committee meetings. Members of senior management are also invited to attend Board meetings as required. We also expect our directors to attend our Company's annual meeting of shareholders. In addition, should special meetings be required, we make every effort to schedule such meetings to accommodate the attendance of the majority of directors.

OTHER DIRECTORSHIPS

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

Name	Other Public Company Directorships	Stock Exchange	Board/Committee Appointments
David W. Drinkwater	None		None
Brett M. Gellner	None		None
Allen R. Hagerman	Precision Drilling Corporation	TSX/NYSE	Audit, Human Resources and Compensation
Cynthia Johnston	None		
Kathryn A.B. McQuade	Altria Group, Inc.	NYSE	Audit Committee, Compensation Committee, Finance Committee
Paul H. E. Taylor	None		

POSITION DESCRIPTIONS

Board and Audit Committee Chair Position Descriptions

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

BOARD EVALUATION

The members of the Board have undertaken to assess their performance both as a whole and as individual contributors to the Board following their first year of operation. As well, the Audit Committee has undertaken to evaluate its performance following its first year of operation. These assessments will, subsequently, occur annually. The evaluation process will comprise both a written questionnaire and one-on-one interviews with the Chair of the Board.

IDENTIFYING NEW CANDIDATES FOR 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 Management, Administrative and Operational Services 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.

BOARD COMMITTEES – AUDIT COMMITTEE

Our Board currently has only one standing committee, the Audit Committee. The committee charter can be found on our website at www.transaltarenewables.com.

All Audit Committee members are independent and financially literate. The members of the committee together have experience in accounting, economics, finance and tax, insurance, investment banking, law/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 A.B. McQuade (Chair), David W. Drinkwater and Allen R. Hagerman.

AUDIT COMMITTEE RESPONSIBILITIES

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.

In fulfilling its mandate in 2013, the Audit Committee:

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 Designated Chief Executive Officer and the Designated 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, 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.

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.

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 Designated 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 meeting;
- (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 audit group, 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.

The Audit Committee has reviewed its mandate and is satisfied that it met the terms of its charter in 2013. The charter of the Audit Committee is available on the TransAlta Renewables website at www.transaltarenewables.com or at www.sedar.com as an Appendix to the Company's Annual Information Form.

Signed,

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

3. COMPENSATION

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

For service on the Board, independent directors receive an annual cash retainer as disclosed below. Independent directors are also paid per meeting fees for attendance at Board and Audit Committee meetings as also disclosed below.

If independent directors travel to attend the Board and Audit Committee meetings, they are paid a travel fee of \$1,500, and they are also reimbursed for all out-of-pocket expenses incurred for attending meetings.

For the financial year ended December 31, 2013, each non-management director was eligible to receive the following compensation:

COMPENSATION STRUCTURE FOR ALL NON-MANAGEMENT DIRECTORS

Board Retainers⁽¹⁾	
Independent Director Annual Retainer	\$60,000
Board Chair Retainer Fee	\$25,000
Committee Annual Retainer Fee⁽¹⁾	
Audit Committee Chair Retainer Fee	\$15,000
Meeting Fees	
Board Meeting Fee	\$1,500
Audit Committee Meeting Fee	\$1,500
Travel Fee	
	\$1,500

Note:
⁽¹⁾ In 2013, non-management directors received a prorated Board and Committee retainer fee, reflecting the portion of the year served as a director and chair.

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 (“**DSU**”) starting in 2014. Each DSU is a notional share that has the same value as one TransAlta Renewables common share. 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 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/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. Since the DSU Plan was adopted with effect January 1, 2014, there were no accruals with respect to DSUs as of December 31, 2013.

SHARE OWNERSHIP REQUIREMENTS OF DIRECTORS

The Board believes that director's compensation should align with shareholders' interests. As a result, the Board adopted share ownership requirements for independent 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, the independent directors are required to acquire and hold the equivalent of one time their annual cash retainer within one year of joining the Board or the effective date of the share ownership policy, whichever is the later.

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.

SHAREHOLDINGS OF DIRECTORS AT DECEMBER 31, 2013

Director and Year Appointed	Year	Total Shares	Value ⁽¹⁾	Multiple of Requirement	Equity at risk Multiple of 2013 Annual Retainer	Ownership Requirement Met
David W. Drinkwater – 2013 ⁽²⁾	2013	2,000	\$21,980.00	0.1x	0.37x	On track
Brett M. Gellner – 2013 ⁽³⁾	2013	15,000	\$164,850.00	N/A	N/A	N/A
Allen R. Hagerman – 2013	2013	25,000	\$274,750.00	1.5x	4.6x	Yes
Cynthia Johnston – 2013 ⁽³⁾	2013	2,500	\$27,475.00	N/A	N/A	N/A
Kathryn McQuade – 2013 ⁽²⁾	2013	Nil	\$Nil	Nil	Nil	On track
Paul H.E. Taylor – 2013 ⁽³⁾	2013	2,500	\$27,475.00	N/A	N/A	N/A
TOTAL	2013	47,000	\$516,530.00			

- Notes:
- (1) The 2013 value is based on the closing price of a TransAlta Renewables common share as of December 31, 2013 of \$10.99.
 - (2) Mr. Drinkwater and Ms. McQuade were each appointed to the Board on June 18, 2013, and, considering that the share ownership policy was adopted on October 29, 2013, have until October 29, 2014 to meet the one-year requirement, and until October 29, 2016, to meet the three-year requirement.
 - (3) As officers and employees of TransAlta, Mr. Gellner, Ms. Johnston and Mr. Taylor have obligations to fulfill the share ownership requirements of TransAlta.

SUMMARY OF DIRECTORS' COMPENSATION FOR THE FISCAL YEAR 2013

Name (a)	Fees Earned (\$)(b)				Share-based awards (\$)(c)	All other compensation (\$)(g) ⁽⁶⁾	Total (\$)(h)
	Fees Earned (\$)	Board Meeting Fee	Audit Committee Meeting Fees	Chair Fee			
David W. Drinkwater	\$32,145	\$9,000	\$3,000	N/A	N/A	\$1,500	\$45,645
Brett M. Gellner ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Allen R. Hagerman ⁽¹⁾	\$32,145	\$9,000	\$3,000	\$13,328	N/A	\$0	\$57,473
Cynthia Johnston ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kathryn A.B. McQuade ⁽²⁾	\$32,145	\$9,000	\$3,000	\$7,992	N/A	\$0	\$52,137
Paul H.E. Taylor ⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	\$96,435	\$27,000	\$9,000	\$21,320	N/A	\$1,500	\$155,255

- Notes:
- (1) Mr. Hagerman is Chair of the Board.
 - (2) Ms. McQuade is Chair of the Audit Committee.
 - (3) Mr. Gellner is President and Designated Chief Executive Officer of the Company and does not receive director compensation for his service on the Board. His compensation is reported in the "Summary Compensation Table" for Named Executive Officers.
 - (4) Ms. Johnston is Chief Operating Officer of the Company and does receive director compensation for her services on the Board. Her compensation is reported in the "Summary Compensation Table" for Named Executive Officers.
 - (5) Mr. Taylor is President, U.S. Operations and Executive Vice-President, Canadian Coal of TransAlta and does not receive director compensation for his services on the Board.
 - (6) This column includes a \$1,500 travel fee paid to directors who travel to Board or committee meeting.

COMPENSATION DISCUSSION AND ANALYSIS

As at December 31, 2013, the Company's Named Executive Officers ("NEO") were:

- Brett M. Gellner, President and Designated Chief Executive Officer
- David J. Koch, Vice-President and Controller and Designated Chief Financial Officer of the Company
- Cynthia Johnston, Chief Operating Officer
- Maryse C. St.-Laurent, Vice-President and Corporate Secretary
- Todd J. Stack, Vice-President and Treasurer

These Named Executive Officers are also senior officers and employees of TransAlta. The Company does not have any other executive officers. Management and administrative services required by the Company are provided by TransAlta pursuant to the Management, Administrative and Operational Services Agreement dated August 9, 2013 between the Company and TransAlta.

No individual acting as an executive officer or in a similar capacity of the Company received total compensation related to services rendered to the Company pursuant to the Management, Administrative and Operational Services Agreement in excess of \$150,000 during the year ended December 31, 2013.

The Named Executive Officers and the other officers of TransAlta 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), which G&A Reimbursement Fee has been calculated assuming that the Named Executive Officers will provide, in aggregate, services to the Company at an annual cost of less than \$600,000.

The compensation of the Named Executive Officers is determined and paid exclusively by TransAlta in their capacity 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, Administrative and Operational Services Agreement.

The management services provided by TransAlta under the Management, Administrative and Operational Services Agreement include, but are not be 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 and Operational Services Agreement include, but are not be 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, Administrative and Operational Services Agreement, TransAlta has agreed to: (i) perform all services under the Management, Administrative and Operational Services 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 with any party. In the exercise of its powers and authority under the Management, Administrative and Operational Services 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 agreement, would exercise in comparable circumstances. TransAlta is prohibited from entering into or committing to any transaction which, in accordance with Applicable Laws, 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, Administrative and Operational Services Agreement. We expressly consent in the Management, Administrative and Operational Services 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, Administrative and Operational Services 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 and Operational Services Agreement. The G&A Reimbursement Fee was initially set at \$10,000,000 per annum and is adjusted annually for changes in the CPI and increases or decreases of 5% 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. The G&A Reimbursement Fee is expected to be \$10,363,000 in 2014 which reflects the impact of the acquisition of the economic interest in the Wyoming Wind Farm and does not account for any future additional growth in 2014.

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, wilful 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, Administrative and Operational Services Agreement.

The Management, Administrative and Operational Services Agreement has an initial 20 year term; provided, however, that the 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, Administrative and Operational Services 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 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 and Operational Services 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%.

SUMMARY COMPENSATION TABLE

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. No executive officer of the Company received compensation exceeding, in the aggregate, \$150,000 during the year ended December 31, 2013.

The allocation of the compensation paid by TransAlta to the NEOs during the period of August 9, 2013, to December 31, 2013 to the Company, is as follows:

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Share Awards (\$) (d)	Option Awards (\$) (e)	Non-equity Incentive Plan Compensation (\$) (f)		Pension Value (\$) (g)	All Other Compensation (\$) (h)	Total Compensation (\$) (i)
					Annual Incentive Plan	Long-term Incentive Plans			
Brett M. Gellner President and Designated Chief Executive Officer	2013	27,431	34,510	N/A	10,342	N/A	8,295	1,426	82,004
David J. Koch Vice-President and Controller and Designated Chief Financial Officer	2013	14,264	4,758	N/A	3,470	N/A	1,843	1,015	25,351
Cynthia Johnston Chief Operating Officer	2013	16,459	9,767	N/A	5,217	N/A	4,608	1,426	37,478
Maryse C. St-Laurent Vice-President and Corporate Secretary	2013	11,521	3,901	N/A	2,500	N/A	1,317	1,015	20,254
Todd J. Stack Vice-President and Treasurer	2013	11,795	641	N/A	2,869	N/A	(658)	1,015	15,662
Total		81,470	53,577	N/A	24,398	N/A	15,405	5,897	180,749

- Notes:**
- (b) The Company was incorporated on May 28, 2013 and acquired its assets to commence commercial operation on August 9, 2013.
 - (c)(d)(f)(g) Salary, share awards, annual incentive and pension value reported are based on 5/12 (for the period August to December 2013) of a portion of the NEOs compensation paid by TransAlta, adjusted for the number of megawatts under management for the Company versus the total megawatts of TransAlta and attributed to the Company for the work performed by the NEOs. The amount attributable for medium term incentive is reflected under share awards.
 - (h) All other compensation comprises the amount allocated in the same manner as reflected above for perquisites paid to the NEOs including an amount payable in lieu of club memberships, tax assistance and health club benefits.
 - (e) TransAlta does not provide options to its executives.

4. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described elsewhere in this Proxy Circular, management of the Company is not aware of any 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 Corporation or its subsidiaries.

5. INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Management of the Company is not aware of any material interest of any director or nominee for director, or officer or anyone who has held office as such since the beginning of the Company 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.

6. 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 2013.

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.

DIRECTOR APPROVAL

The contents of the Proxy Circular and the sending thereof to each shareholder, whose proxy is solicited, to Ernst & Young LLP and to the appropriate governmental agencies, have been approved by the Board.

By the order of the Board of Directors



Maryse C. St.-Laurent
Vice-President and Corporate Secretary

Calgary, Alberta
March 14, 2014

APPENDIX "A"

TRANSALTA RENEWABLES INC.

GENERAL GUIDELINES FOR THE BOARD

A. INTRODUCTION

The Board of Directors (the “**Board**”) is responsible for the stewardship of TransAlta Renewables Inc. (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 and Operational Services Agreement with TransAlta (the “**Manager**”), the Board has delegated to the Manager broad discretion to administer and manage the business and operations of the Company.

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

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 Vice-President and 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.

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 and In Camera 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 its 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 take reasonable steps to identify the principal risks of the Company's business and to review and assess the systems put in place to manage such risks;
- (e) to review the integrity and effectiveness of the Company's internal control and management information systems in order to be assured that they can be relied upon;
- (f) to monitor the actions of the Manager, including achievement of strategic plans and objectives and a review of quarterly reports;
- (g) to review and monitor compliance with all significant policies and procedures by which the Company is governed and operated; and
- (h) to require that the Manager operate at all times within applicable laws and regulations and to the highest ethical and moral standards.

F. GENERAL LEGAL OBLIGATIONS OF THE BOARD

- (a) The Board is responsible for directing the Manager to obtain assurances that legal and regulatory requirements are met, and that documents and records are properly prepared, approved and maintained; and
- (b) Canadian law identifies the following as specific legal requirements for the Board:
 - (i) to manage or supervise the business and affairs of the Company, including the relationships among the Company, its subsidiaries and affiliates, their shareholders, directors and officers;
 - (ii) to act honestly and in good faith with a view to the best interests of the Company;
 - (iii) to exercise the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances;
 - (iv) to act 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) to recommend the appointment of an auditor to the shareholders and fix the remuneration of the auditor if not fixed by the shareholders;
 - (vi) pursuant to the CBCA, the following matters must be considered by the Board as a whole and may not be delegated:
 - (A) submit to the shareholders any question or matter requiring the approval of the shareholders;
 - (B) fill a vacancy among the directors or in the office of auditor or appoint additional directors;
 - (C) authorize the issuance of securities or the issuance of shares in a series;
 - (D) declare dividends;
 - (E) purchase, redeem or otherwise acquire 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) approve any required management proxy circulars;
 - (H) approve any required take-over bid circulars or Directors' circulars;
 - (I) approve any required financial statements; and
 - (J) adopt, amend or repeal 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 business 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 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.
- (b) The Company has also adopted a Code of Conduct 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/her with matters involving his/her responsibilities as a Board member, he/she may engage such an advisor at the expense of the Company provided that he/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. Officers and employees of the Company may solicit proxies without compensation by telephone, facsimile or in person.

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