



**DIVIDEND REINVESTMENT PLAN**

## PURPOSE

The Dividend Reinvestment Plan (the "**Plan**") provides eligible holders ("**Shareholders**") of common shares ("**Shares**") of TransAlta Renewables Inc. (the "**Corporation**") the opportunity to accumulate additional Shares by reinvesting their dividends. The Plan provides an efficient and cost-effective way for the Corporation to issue additional equity capital to existing Shareholders.

## DEFINITIONS

"**Agent**" means AST Trust Company (Canada), or such other company as is appointed by the Corporation from time to time to act as Agent under the Plan.

"**Average Market Price**" means the average closing price of the Shares on the Toronto Stock Exchange during the Trading Period.

"**Business Day**" means any day on which the Plan Agent's offices are generally open, but does not include a Saturday, Sunday, civic or statutory holiday in Calgary, Alberta or a day on which the Toronto Stock Exchange is not open for trading.

"**CDS & Co.**" means the Canadian Depository for Securities Limited which acts as a nominee for many Canadian brokerage firms.

"**CDS Participants**" refers to brokers, investment dealers, financial institutions or other nominees in their capacity as participants in the CDS & Co. depository service who hold Shares registered in the name of CDS & Co. on behalf of eligible beneficial owners of Shares and who are acting on behalf of such beneficial owners hereunder.

"**Dividend Payment Date**" means the date that dividends are paid as determined and announced by the board of directors of the Corporation.

"**Dividend Record Date**" means the record date as determined and announced by the board of directors of the Corporation for determining the Shareholders entitled to receive a particular dividend payment and which precedes the Dividend Payment Date.

"**Enrollment Form**" means the Reinvestment Enrollment Form.

"**Participants**" means registered or beneficial holders of at least one Share who, on the applicable Dividend Record Date, are eligible to participate in the Plan and elect to do so by, in the case of registered holders, completing and delivering to the Agent or, in the case

of beneficial holders, by having CDS Participants complete and deliver to the Agent or CDS & Co., as applicable, an Enrollment Form, as more particularly described in the Plan.

"**Trading Period**" means the five (5) day trading period on which not less than 500 Shares are traded on the Toronto Stock Exchange ending on the Business Day immediately prior to the Dividend Payment Date.

## ADVANTAGES

An eligible Shareholder may, by enrolling in the Plan, direct that cash dividends on all Shares registered in the name of such Shareholder, together with cash dividends on Shares held for the account of such Shareholder under the Plan, be applied to the purchase of additional Shares. The price of the Shares purchased with reinvested dividends will be 98% of the Average Market Price.

Dividends paid on new Shares purchased with reinvested dividends that are held under the Plan will automatically be reinvested in additional Shares in accordance with the Plan.

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of additional Shares under the Plan. The Agent will credit the account of a Participant with fractions of Shares to allow for full investment of funds. Fractions will be computed to four (4) decimal places. The rounding of any fractional interest shall be determined by the Agent using such methods as it deems appropriate in the circumstances.

## ADMINISTRATION

AST Trust Company (Canada) currently acts as Agent under the Plan. If AST Trust Company (Canada) ceases to act as Agent for any reason, another company will be designated by the Corporation to act as Agent and Participants will be promptly notified of the change.

The Agent acts for and on behalf of the Participants. On each Dividend Payment Date, the Corporation will furnish to the Agent all cash dividends paid on the Shares registered in the name of, or held under the Plan for the account of, Participants who have enrolled in the Plan. The Agent will use such funds to purchase new Shares from treasury directly from the Corporation. New Shares purchased under the Plan will be registered in the name of the Agent, as agent for the Participants.

Any dividends on Shares, including fractions of Shares, that are held by the Agent for a Participant's account

under the Plan, will be reinvested in new Shares, and such new Shares will be credited to the Participant's account.

Under the Plan, the Agent will purchase from treasury, on each Dividend Payment Date, for each Participant's account that number of Shares, including fractions computed to four (4) decimal places, equal to the amount invested under the Plan for such Participant's account divided by 98% of the Average Market Price of a Share for the applicable Trading Period.

New Shares purchased pursuant to the Plan will be held by the Agent in the Participant's account in accordance with the Plan.

All funds received by the Agent under the Plan will be applied to the purchase of new Shares from treasury directly from the Corporation. **In no event will interest be paid to Participants on any funds held for investment under the Plan.**

## PARTICIPATION

Except as noted below, registered Canadian resident holders of at least one Share may enrol in the Plan.

A registered Shareholder may become a Participant by downloading an Enrollment Form online at <https://ca.astfinancial.com/InvestorServices/Search-DRIP?lang=en> and delivering such form to the Agent no later than five (5) Business Days prior to a Dividend Record Date. An Enrollment Form can also be obtained by contacting the Agent directly. See "Notices".

The Enrollment Form directs the Corporation to forward to the Agent all cash dividends on Shares registered in the name of the Participant, and directs the Agent to reinvest such dividends, together with cash dividends on Shares held by the Agent for the Participant's account under the Plan, in additional Shares in accordance with the Plan.

Canadian resident beneficial owners of Shares who hold their Shares with a CDS Participant may not directly enrol in the Plan, but may participate in the Plan through their CDS Participant. Beneficial owners of Shares may only participate in the Plan if they (i) transfer their Shares into their own name and then enrol in the Plan directly, or (ii) arrange for the CDS Participant to enrol in the Plan on their behalf.

CDS & Co. enrolling on behalf of CDS Participants must notify the Agent no later than 11 a.m. (Calgary time) on the Dividend Record Date in order for the cash dividend to which such Dividend Record Date relates to be reinvested under the Plan. Otherwise reinvestment will not occur for the current period.

Beneficial owners of Shares should consult their CDS Participant to determine the procedures for participation in the Plan. The administrative practices of CDS Participants may vary and, accordingly, the various dates by which actions must be taken and documentary requirements set out in the Plan may not be the same.

Once a Shareholder has enrolled in the Plan, participation continues automatically until the Participant's participation in the Plan is terminated. Beneficial owners of Shares which are registered through a CDS Participant in the name of CDS & Co. should consult their CDS Participant to determine the procedure for termination in the Plan. The time at which a termination of Plan participation becomes effective is described under "Termination of Participation" below. The effect of these provisions is that a Participant cannot terminate participation in the Plan on and from a Dividend Record Date to and including the Dividend Payment Date to which such Dividend Record Date relates.

The Corporation reserves the right to determine, from time to time, a minimum number of Shares that a Participant must hold in order to qualify for or continue enrollment in the Plan, subject to applicable securities laws, and reserves the right to refuse participation to, or cancel participation of, any person who, in the opinion of the Corporation, is participating in the Plan primarily with a view to arbitrage trading.

## SHAREHOLDERS OUTSIDE OF CANADA

Only Shareholders resident in Canada may participate in the Plan.

**Unless otherwise announced by the Corporation, Shareholders who are not residents of Canada, including residents of the United States, may not participate in the Plan.**

The Corporation, the Agent and CDS Participants reserve the right to deny participation in the Plan to, and to not accept Enrollment Forms or enrollments from, any person or agent of such person who appears to be or who the Corporation or the Agent has reason to believe is a resident of any jurisdiction other than Canada.

## PRORATION IN CERTAIN EVENTS

If, in respect of any Dividend Payment Date, fulfilling all of the elections under the Plan would result in the Corporation exceeding the limit on new equity set by the Corporation, then elections for the purchase of new Shares on that Dividend Payment Date will be prorated among all Participants in that category according to the number of additional Shares sought to be purchased.

## **PRICE OF NEW SHARES**

On each Dividend Payment Date, the Agent will, on behalf of the Participants, pay to the Corporation all funds held by the Agent that are eligible for investment in new Shares on such date. The subscription price of new Shares purchased under the Plan will be 98% of the Average Market Price.

## **COSTS**

No commissions, service charges or brokerage fees are payable by Participants in connection with the purchase of additional Shares under the Plan. All administrative costs of the Plan, including the fees and expenses of the Agent, will be borne by the Corporation.

## **ACCOUNTS AND REPORTS TO PARTICIPANTS**

An account will be maintained by the Agent for each registered Participant. Unaudited statements of account will be mailed to each Participant on a monthly basis. These statements are a Participant's continuing record of purchases of Shares made for such Participant's account under the Plan and should be retained for income tax purposes. The Agent will also send annually to each Participant certain tax forms for tax reporting purposes. Adjusted cost base calculations for tax reporting purposes will be the responsibility of each Participant as the averaging rules may apply so that such calculations may depend on the cost of other Shares held by the Participant.

## **CERTIFICATES FOR SHARES**

Shares purchased and held under the Plan will be registered in the name of the Agent, as agent for the Participants, and certificates for such Shares will not normally be issued to Participants unless specifically requested in writing.

A Participant (excluding beneficial owners) may, without terminating participation in the Plan, have a Share certificate issued registered in the Participant's name for any number of whole Shares held for the Participant's account under the Plan by duly completing the withdrawal portion of the voucher located on the reverse of the statement of account. Certificates will normally be issued within three weeks of receipt by the Agent of the Participant's written request for a certificate. Any remaining whole Shares and any fraction of a Share will continue to be held for the Participant's account under the Plan. For greater certainty, certificates will not be issued for a fraction of a Share.

Accounts under the Plan are maintained in the names in which Shares are registered at the time the Participants

entered the Plan, and certificates for whole Shares will be similarly registered when issued.

Beneficial owners of Shares should consult their CDS Participant to determine the procedures for transferring Shares in their own name.

Shares held by the Agent for a Participant under the Plan may not be pledged, sold or otherwise disposed of by the Participant while so held.

## **TERMINATION OF PARTICIPATION**

A Participant (excluding beneficial owners) may voluntarily terminate participation in the Plan by duly completing the termination portion of the voucher located on the reverse of the statement of account and delivering it to the Agent no later than five (5) Business Days prior to a Dividend Record Date. The Participant will receive a certificate for the number of whole Shares held by the Agent in such Participant's account and a cash payment for any remaining fraction of a Share so held. Any fractional Share interest will be paid based on the closing market price of a Share on the Toronto Stock Exchange on the date of termination.

Beneficial owners of Shares should consult their CDS Participant to determine the procedures for terminating their participation in the Plan. The administrative practices of CDS Participants may vary and, accordingly, the various dates by which actions must be taken and documentary requirements set out in the Plan may not be the same.

Participation in the Plan will be terminated by the Agent (or the CDS Participant, as applicable) upon receipt of evidence of the death of a Participant and written instructions, from the person acting in a representative or fiduciary capacity. Such request must be accompanied by satisfactory evidence of their proof of appointment and authority to act. A certificate for the number of whole Shares held for the account of a deceased Participant under the Plan will be issued by the Agent (or the CDS Participant, as applicable) in the name of the estate of the deceased Participant. The Agent will send to the legal representative of the deceased Participant such certificate and a cheque in payment for any remaining fraction of a Share in the deceased Participant's account. Any fractional Share interest will be paid based on the closing market price of a Share on the Toronto Stock Exchange on the date of termination.

If a written termination notice or notice of a Participant's death is not received by the Agent five (5) Business Days prior to a Dividend Record Date, then the Participant's account will not be closed, and participation in the Plan will not be terminated, until

after the Dividend Payment Date to which such Dividend Record Date relates.

No terminations will be processed between a Dividend Record Date and up to and including a Dividend Payment Date.

### **RIGHTS OFFERING**

In the event that the Corporation makes available to its Shareholders rights to subscribe for additional Shares or other securities, rights certificates will be issued by the Corporation to each Participant in respect of whole Shares held in a Participant's account under the Plan on the record date for such rights issue.

### **SUBDIVISIONS**

If Shares of the Corporation are distributed pursuant to a subdivision of Shares, such Shares received by the Agent for Participants under the Plan will be held by the Agent and credited by the Agent proportionately to the accounts of the Participants in the Plan. A certificate for any Shares resulting from such a subdivision of Shares that are registered in the name of a Participant, rather than the name of the Agent, will be sent directly to the Participant in the same manner as to Shareholders who are not participating in the Plan.

### **SHAREHOLDER VOTING**

Whole Shares held for a Participant's account under the Plan on the record date for a vote of Shareholders will be voted in accordance with the instructions of the Participant given on a form to be furnished to the Participant. Shares for which instructions are not received will not be voted. No voting rights will attach to any fraction of a Share held for a Participant's account under the Plan.

### **RESPONSIBILITIES OF THE CORPORATION AND THE AGENT**

Neither the Corporation nor the Agent shall be liable for any act or for any omission to act in connection with the operation of the Plan including, without limitation, any claims for liability:

- (a) arising out of any determination made by the Corporation or the Agent regarding a Participant's eligibility to participate in the Plan;
- (b) arising out of the continued enrollment in the Plan of any Participant until receipt of all necessary documentation as provided for in this Plan required to terminate participation in the Plan;
- (c) with respect to any contravention by any Participant of any applicable securities laws with

respect to participation in the Plan or the acquisition or disposition of Plan Shares;

- (d) arising out of the failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death;
- (e) with respect to the prices and times at which Shares are purchased or sold for the account of or on behalf of a Participant;
- (f) in connection with any income taxes or other liabilities payable by any Participant in connection with their receipt of dividends or their participation in the Plan;
- (g) with respect to any decision by the Corporation to amend, suspend, terminate or replace the Plan in accordance with the terms of this Plan;
- (h) arising out of a prorating, for any reason, of the amount of equity available under the Plan in the circumstances described herein; and
- (i) arising out of any actions or responsibilities of CDS & Co. or any CDS Participant in relation to the Plan, or otherwise, including, without limitation: (i) any aspect of the records relating to, or payments made on account of, beneficial ownership interests of the Plan Shares held by and registered in the name of CDS & Co. or any CDS Participant; (ii) any authority, advice, or representation made or given by CDS & Co. or any CDS Participant to the Plan Agent or otherwise, including representations with respect to rules of CDS & Co. and any action taken or to be taken by CDS & Co. or any CDS Participant, (iii) the allocation of Plan Shares by CDS Participants to Plan Participants, or (iv) the allocation of proceeds of the sale of Plan Shares by CDS Participants to Plan Participants.

Participants should recognize that neither the Corporation nor the Agent can assure a profit or protect them against a loss on the Shares purchased under the Plan.

### **AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN**

The Corporation reserves the right to amend, suspend or terminate the Plan at any time, but such action shall have no retroactive effect that would prejudice the interests of the Participants. Amendments to the Plan will be subject to the prior approval of the Toronto Stock Exchange. All Participants will be sent written notice of any such amendment, suspension or termination. In the event of termination of the Plan by the Corporation, the Agent will send to the Participants,

CDS Participants (as applicable) certificates for whole Shares held for Participants' accounts under the Plan and cheques in payment for any remaining fractions of Shares in Participants' accounts. Any fractional Share interest will be paid based on the closing market price of a Share on the Toronto Stock Exchange on the termination date of the Plan as determined by the board of directors of the Corporation. In the event of suspension of the Plan by the Corporation, no investment will be made by the Agent on the Dividend Payment Date immediately following the effective date of such suspension.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to a Shareholder who participates in the Plan and who, for purposes of the *Income Tax Act* (Canada) (the "Tax Act") and at all relevant times: (i) is resident in Canada; (ii) deals at arm's length with and is not affiliated with the Corporation; and (iii) holds Shares, including Shares acquired under the Plan, as capital property (a "Participant Holder").

Generally, Shares will be considered to be capital property to a Participant Holder provided the Participant Holder does not hold such Shares in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Participant Holders who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to have the Shares, and all other "Canadian securities" (as defined in the Tax Act) owned by such Participant Holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Any Participant Holder that may not hold its Shares as capital property should consult its own tax advisors, including with respect to the availability of the election under subsection 39(4) of the Tax Act.

This summary is not applicable to a Participant Holder that, for purposes of the Tax Act: (i) is not a resident of Canada; (ii) is a "financial institution" for purposes of the "mark-to-market rules"; (iii) is "specified financial institution"; (iv) an interest in which would be a "tax shelter investment"; (v) has made or will make a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency; or (vi) has entered or will enter into a "derivative forward agreement" for purposes of the Tax Act. Any such Participant Holder should consult its own tax advisors.

This summary is based on the provisions of the Tax Act and the regulations thereunder (the "Regulations"), all

specific proposals to amend the Tax Act or the Regulations publicly announced by or on behalf of the Minister of Finance (Canada), and the current administrative policies and assessing practices of the Canada Revenue Agency published in writing and publicly available, all as of May 31, 2018. There can be no assurance that any proposed amendments will be enacted in the form announced, or at all. This summary does not otherwise take into account or anticipate any changes in law or any change in the administrative policies or assessing practices of the CRA, whether by way of judicial, legislative or governmental decision or action and including, without limitation, any changes which may occur after May 31, 2018. This summary does not take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ materially from those described in this summary.

**This summary is of a general nature only, is not exhaustive of all possible tax considerations and is not intended to be legal or tax advice to any particular Participant Holder. As a Participant Holder, it is your responsibility to consult your own tax advisor as to the tax consequences of participating in the Plan.**

### *Reinvestment of Dividends*

The reinvestment of dividends on Shares pursuant to the Plan does not relieve a Participant Holder of any liability for income taxes that may otherwise be payable on such dividends. A Participant Holder will be treated, for tax purposes, as having received, on each Dividend Payment Date, a taxable dividend on the Shares equal to the full amount of the dividend payable on such Shares on such date, which dividend will be subject to the same tax treatment applicable to taxable dividends received by the Participant Holder from a taxable Canadian corporation, as discussed below under "Taxation of Dividends".

A Participant Holder's reinvestment of dividends pursuant to the Plan in such number of newly-issued Shares as is equal to the aggregate amount of the dividend payable on each Dividend Payment Date, divided by 98% of the corresponding Average Market Price for the applicable Trading Period, should not result in the Participant Holder realizing a taxable benefit under the Tax Act.

### *Taxation of Dividends*

Dividends received on Shares, including dividends that are reinvested pursuant to the Plan, will generally be included in a Participant Holder's income for the year in which such dividends are received, or deemed to be received. In the case of a Participant Holder who is an individual, dividends will be subject to the gross-up and

dividend tax credit rules contained in the Tax Act. Provided that appropriate designations are made by the Corporation at or before the time a dividend is paid, such dividend will be treated as an "eligible dividend" for the purposes of the Tax Act and a Participant Holder who is an individual will be entitled to an enhanced gross-up and dividend tax credit in respect of such dividend. The fact that dividends are reinvested pursuant to the Plan will not affect the status of any dividend as an "eligible dividend" for the purposes of the Tax Act.

In the case of a Participant Holder that is a corporation, such dividends will generally be deductible in computing the Participant Holder's taxable income. A Participant Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received (or deemed to be received) on the Shares to the extent that such dividends are deductible in computing the Participant Holder's taxable income.

#### *Disposition of Shares*

A Participant Holder will generally realize a capital gain (or a capital loss) on the disposition of Shares (other than in a disposition to the Corporation that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market). The amount of such capital gain or capital loss will be equal to the amount by which the proceeds of disposition of the Shares are greater (or less) than the Participant Holder's adjusted cost base of such Shares plus any reasonable costs incurred by the Participant Holder in connection with the disposition.

The adjusted cost base of the Shares owned by a Participant Holder at a particular time generally will be the average cost of all Shares owned by the Participant Holder at that time, whether acquired pursuant to the Plan or otherwise purchased outside of the Plan. Generally, a Participant Holder's cost of a Share acquired pursuant to the Plan will be equal to the amount of the dividend that was reinvested to acquire such Share, being 98% of the Average Market Price of the Share for the applicable Trading Period.

Generally, one half of any capital gain (a "**taxable capital gain**") realized by a Participant Holder in a taxation year must be included in the Participant Holder's income for the year, and one half of any capital loss (an "**allowable capital loss**") realized by a Participant Holder in a taxation year must be deducted from taxable capital gains realized by the Participant Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of

the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Participant Holder that is a corporation on the disposition of a Share may be reduced by the amount of dividends received or deemed to be received by it on such Share (or on a share for which the Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares, directly or indirectly, through a partnership or a trust. Participant Holders that are corporations should consult their own tax advisors in this regard.

A Participant Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

#### *Termination of Participation*

When a Participant Holder's participation in the Plan is terminated by the Participant Holder or the Agent or when the Plan is terminated by the Corporation, the Participant Holder will receive a cash payment equal to the value of any fractional Shares remaining in the Participant Holder's account. A deemed dividend may arise if the cash payment for a fractional Share exceeds the paid-up capital in respect of such fractional Share and a capital gain (or a capital loss) may also be realized in certain circumstances. A deemed dividend is treated in the manner described above under the heading "*Taxation of Dividends*".

#### *Alternative Minimum Tax*

Dividends received and capital gains realized by a Participant Holder who is an individual (including certain trusts) may give rise to alternative minimum tax under the Tax Act.

### **INTERPRETATION**

Any issues of interpretation arising in connection with the Plan or its application shall be conclusively determined by the Corporation.

## **NOTICES**

All notices or other documents required to be given to Participants under the Plan, including certificates for Shares and cheques, shall be mailed to Participants at the addresses shown on the records of the Agent.

Notices to the Agent shall be sent to:

AST Trust Company (Canada)  
P.O. Box 4229  
Station A  
Toronto, Ontario M5W 0G1  
Attention: Dividend Reinvestment  
Fax: 1-888-488-1416

Notices to TransAlta Renewables Inc. shall be sent to:

TransAlta Renewables Inc.  
110 12th Avenue S.W., P.O. Box 1900, Station "M"  
Calgary, Alberta T2P 2M1  
Attention: Corporate Secretary

### **EFFECTIVE DATE OF THE PLAN**

The effective date of the Plan is May 31, 2018.