

# TRANSALTA RENEWABLES INC.

## GENERAL GOVERNANCE GUIDELINES FOR THE BOARD

### A. INTRODUCTION

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

### B. BOARD ORGANIZATION AND MEMBERSHIP

#### 1) Independent Chair of the Board

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

#### 2) Independence of Directors

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

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

## **C. BOARD MEETINGS AND MATERIALS**

### **1) Agendas and Materials**

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

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

### **2) Quorum**

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

### **3) Meetings**

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

## **D. COMMITTEE ORGANIZATION AND MEETINGS**

### **1) Board Committees**

The Board has one standing committee, the Audit and Nominating 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 and Nominating Committee are chosen solely from the Board's independent members.

## **E. DUTIES AND RESPONSIBILITIES**

The Board has the responsibility:

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

## **F. GENERAL LEGAL OBLIGATIONS OF THE BOARD**

- (a) The Board is responsible for:
  - (i) managing or supervising the business and affairs of the Company, including the relationships among the Company, its subsidiaries and affiliates, their shareholders, directors and officers;
  - (ii) acting honestly and in good faith with a view to the best interests of the Company;
  - (iii) exercising the care, diligence and skill that reasonably prudent people would exercise in comparable circumstances;
  - (iv) acting in accordance with the Board's responsibilities contained in the *Canada Business Corporations Act* (the "**CBCA**"), the securities laws of applicable provinces and territories of Canada, other relevant legislation, regulations and policies, and the Company's Articles and By-Laws;
  - (v) recommending the appointment of an auditor to the shareholders and fixing the remuneration of the auditor if not fixed by the shareholders.

- (b) Pursuant to the CBCA, the following matters will be considered by the Board as a whole and shall not be delegated:
- (A) submitting to the shareholders any question or matter requiring approval of the shareholders;
  - (B) filling a vacancy among the directors or in the office of auditor or appointing additional directors;
  - (C) authorizing the issuance of securities or the issuance of shares in a series;
  - (D) declaring dividends;
  - (E) purchasing, redeeming or otherwise acquiring shares issued by the Company;
  - (F) the payment of a commission to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - (G) approving any required management proxy circulars;
  - (H) approving any required take-over bid circulars or directors' circulars;
  - (I) approving the annual financial statements; and
  - (J) adopting, amending or repealing the by-laws of the Company.

## **G. DISCLOSURE AND COMPLIANCE REPORTING**

The Board has the responsibility:

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

## **H. RISK ASSESSMENT**

- (a) The Board, either directly or through the Audit and Nominating Committee, is responsible for understanding the principal risks associated with the Company's business and for ensuring that the President and the Manager have identified the principal risks and have implemented appropriate strategies and systems to monitor, manage and mitigate these risks.
- (b) The Board, either directly or through the Audit and Nominating Committee, will be responsible for assessing the effectiveness of programs and initiatives that support the environment, health and safety, sustainability, corporate social responsibility, and climate change policies and programs of the Company, including assessing the physical and transitional risks associated with climate change.
- (c) The Company has adopted a Code of Conduct that is reviewed and approved that sets out the key principles and policies governing the organization.
- (d) The Company has adopted an Insider Trading Policy, which is reviewed annually by the Board. The policy requires, among other things, that directors and officers adhere to a trading blackout when in possession of material non-public information.

## **I. OUTSIDE ADVISORS FOR INDIVIDUAL DIRECTORS**

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