

Fighting Against Forced Labour and Child Labour in Supply Chains Act 2023 Annual Report

1. Introduction

This Report is made jointly by TransAlta Corporation and certain of its affiliates¹ (collectively, the “Company”, “TransAlta”, “we”, “our”, or “us”) for the financial year ending December 31, 2023 (“Reporting Period”) and sets out the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by TransAlta or of goods imported into Canada by TransAlta.

This Report constitutes the first report prepared by TransAlta pursuant to Canada’s new Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Canada’s Modern Slavery Legislation”). We have filed similar annual reports in respect of TransAlta’s Australian operations since 2020, in compliance with Australia’s Modern Slavery Act 2018².

2. Steps to prevent and reduce risks of forced labour and child labour

The Company took the following steps during the Reporting Period to prevent and reduce the risk of forced labour or child labour in its business and supply chains:

- Established an internal working group comprised of TransAlta Corporation management representatives from Supply Chain Management (“SCM”), Legal, and Sustainability to review the impact of Canada’s Modern Slavery Legislation on TransAlta and assess the effectiveness of the actions taken to date to address the risks of modern slavery.
- Continued ongoing mapping of supply chains in accordance with our multi-year roadmap.
- Undertook a survey to collect Environmental, Social, and Governance (“ESG”) information from our North American supplier network.
- Strengthened our standard form vendor contract Terms and Conditions by raising the expectations and requirements concerning forced labour in supply chains.
- Updated the terms of the Supplier Code of Conduct to bring certain definitions and provisions into alignment with Canada’s Modern Slavery Legislation.
- Provided annual mandatory Code of Conduct training for all employees.

- Engaged external counsel to provide training on Canada’s Modern Slavery Legislation for all employees involved in the procurement of goods and services.

These actions were applied broadly across the Company, except as otherwise noted. Details of the above actions are set out in this Report.

3. TransAlta’s structure, activities and supply chains

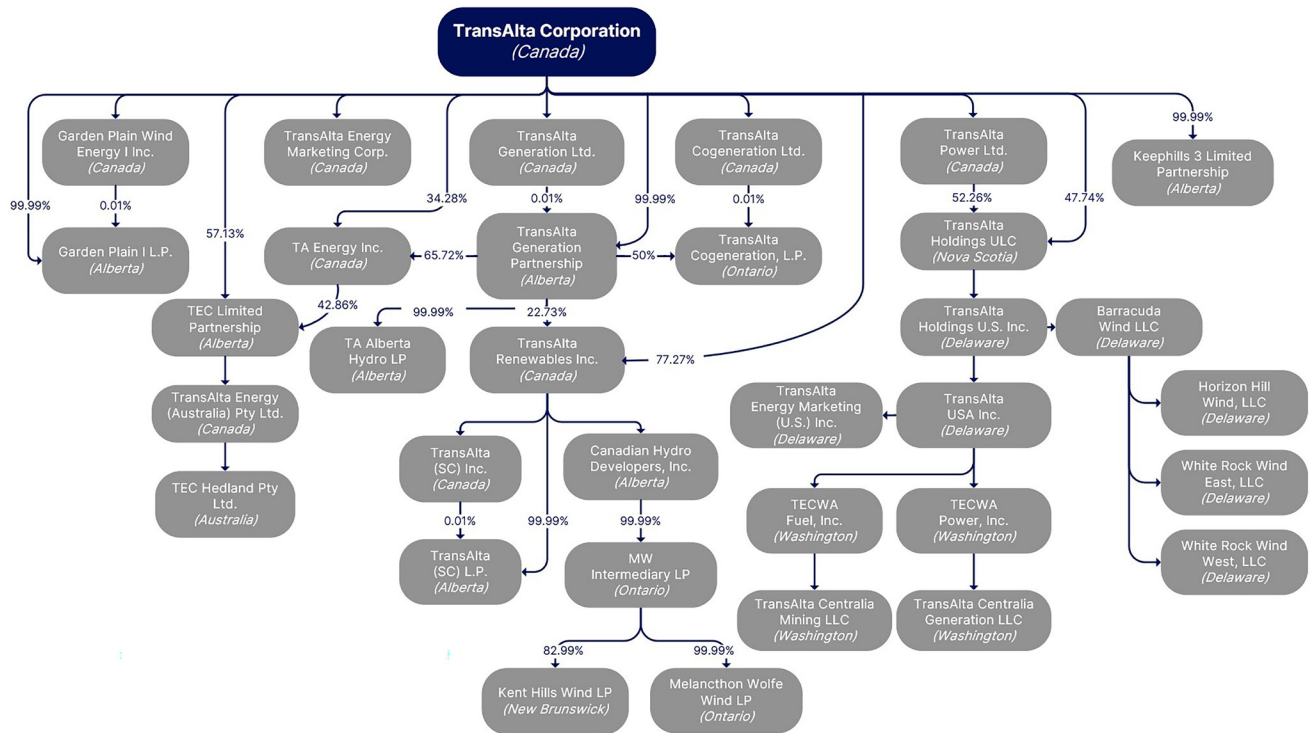
3.1 Overview of TransAlta

TransAlta and its predecessors have been engaged in the development, production, and sale of electric energy since 1911. We are one of Canada’s largest publicly traded power generators and among Canada’s largest non-regulated electricity generation and energy marketing companies, with 6,583 megawatts (“MW”) of gross installed capacity.

We own, operate, and manage a highly contracted and geographically diversified portfolio of assets using a broad range of technologies and fuels, including water, wind, solar, natural gas, energy storage, and coal. We are focused on generating and marketing electricity in Canada, the United States, and Western Australia through our diversified portfolio of facilities. Our mission is to provide safe, low-cost, and reliable clean electricity.

TransAlta is incorporated under the Canada Business Corporations Act. Our common shares are listed on the Toronto Stock Exchange and on the New York Stock Exchange. We have operating subsidiaries in Canada, the United States, and Australia.

Exhibit # 1 - TransAlta's Simplified Organizational Structure



3.2 TransAlta's operations and activities

TransAlta's Hydro, Wind and Solar, Gas, and Energy Transition segments are responsible for operating and maintaining the Company's electrical generation facilities in Canada, the United States, and Australia. Our Energy Marketing segment is responsible for marketing and scheduling our merchant asset fleet in North America (excluding Alberta) along with the procurement of gas, transport, and storage for our gas fleet. All the segments are supported by a Corporate segment.

The following is a description of TransAlta's business segments:

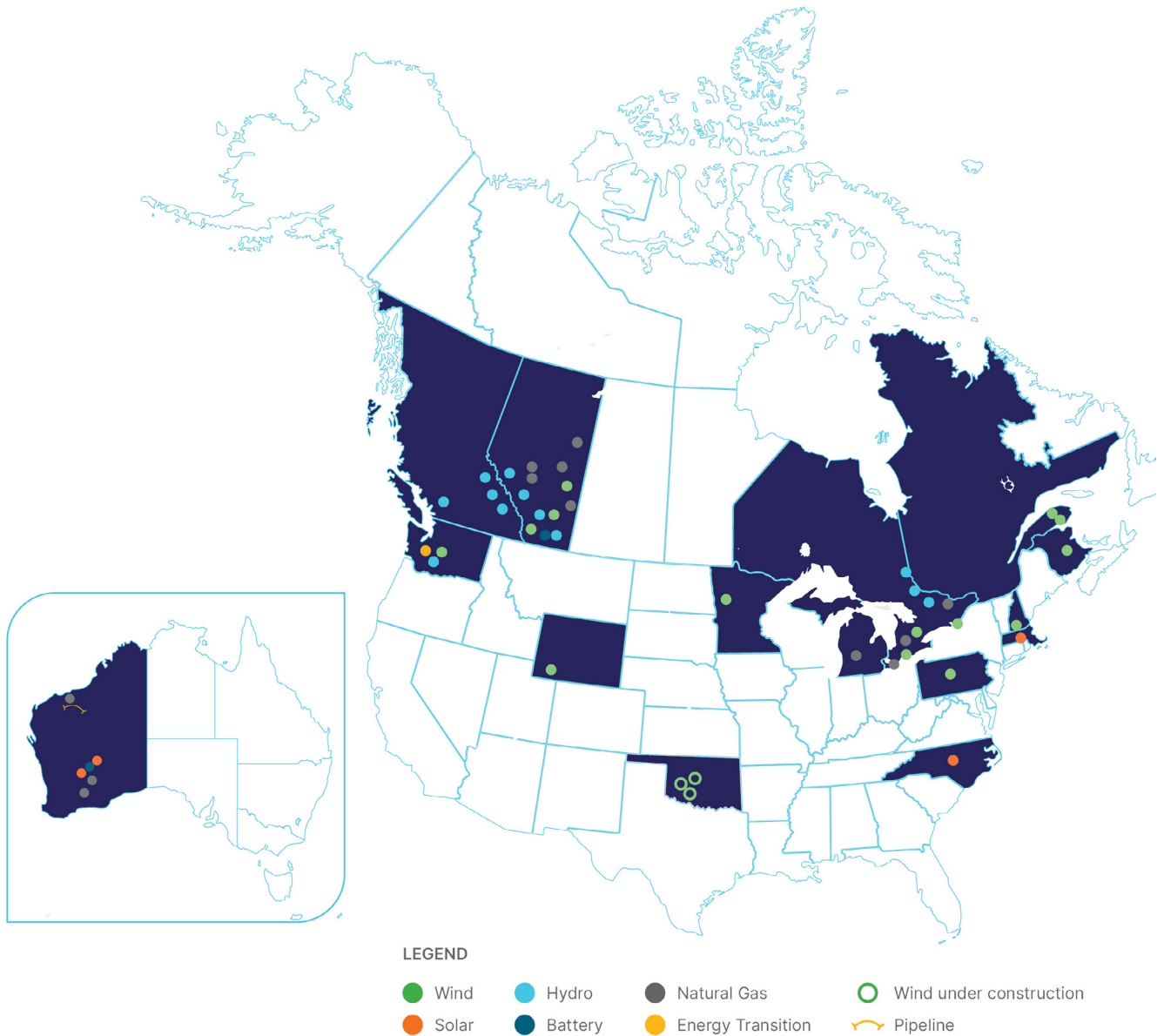
1. Hydro: the Hydro segment has a net ownership interest of approximately 922 MW of owned hydro electrical-generating capacity. The 24 facilities within this segment are located in Alberta, British Columbia and Ontario.
2. Wind and Solar: the Wind and Solar segment has a net ownership interest of approximately 1,878 MW of owned wind and solar electrical-generating capacity, as well as battery storage, and includes 29 facilities located in Alberta, Ontario, New Brunswick and Québec, and the states of Massachusetts, Minnesota, New Hampshire, North Carolina, Pennsylvania, Washington and Wyoming.
3. Gas: the Gas segment has a net ownership interest of approximately 2,775 MW of owned gas

electrical-generating capacity and includes 17 facilities located in Alberta, Ontario, Michigan and Western Australia. This includes a pipeline located in Western Australia.

4. Energy Transition: the Energy Transition segment has a net ownership interest of approximately 671 MW of owned coal electrical-generating capacity. The segment includes one remaining operating unit at Centralia, the Skookumchuck Hydro facility, the retired Centralia unit, retired Alberta thermal units, and the Highvale mine and the mine reclamation activities.
5. Energy Marketing: the Energy Marketing segment is responsible for marketing production through short-term and long-term contracts, for securing cost-effective and reliable fuel supply, and for maximizing margins by optimizing assets as market conditions change. Our Energy Marketing segment is actively engaged in the trading of power, natural gas and environmental products across several markets.
6. Corporate: the Corporate segment supports each of the above segments and includes the Company's central finance, legal, human resources, administrative, business development, external affairs and investor relations functions.

Of the 72 facilities owned by TransAlta and its subsidiaries, 56 are located in Canada (78%), 6 in Australia (8%), and 10 in the US (14%).

The following map outlines the Company's operations as of Dec. 31, 2023.



3.3 TransAlta's supply chain

We work with suppliers across North America, Australia, Asia and Europe, ranging from major, Fortune 500, international companies to small, local businesses.

During the Reporting Period, we procured goods and services globally from a network of approximately 2,000 suppliers and contractors. Approximately 52 percent of our suppliers were based in Canada, 26 percent were located in the United States, 21 percent in Australia and approximately one percent were European or Asian. We appreciate, however, that some of these suppliers are supplying goods that originated from other jurisdictions. Our Supply Chain team

endeavors to understand our vendor partners' upstream providers where possible.

Our suppliers cover a wide range of disciplines, including construction, engineering, and professional services. Approximately 80 percent of our 2023 spend was allocated to the procurement of fuel, professional services, local operations and maintenance services, as well as the supply and local operations of wind turbines, conducted in both Canada and the United States.

We have a centralized SCM function that serves the entire Company, including our Canadian, United States and Australian operations. This function is responsible for all aspects of SCM, including strategic sourcing, contract management, and supply chain and

commercial risk management, all with the goal of creating maximum value for TransAlta and our shareholders while upholding the principles and standards set out in our Supplier Code of Conduct.

4. TransAlta's policies and due diligence processes in relation to forced labour and child labour

TransAlta recognizes that forced labour, human trafficking, and child labour are critical issues, and we stand strongly against this exploitation. TransAlta has accordingly developed internal governance documents that take into consideration supply chain and human rights compliance risks. Furthermore, our supply chain processes are designed to procure goods and services that meet our standards for environmental stewardship, social responsibility, and ethical practices. We attain this objective by incorporating ESG factors into our supplier lifecycle management framework, encompassing supplier selection and relationship management through various means, including pre-qualification, requests for proposals ("RFP"), proposal evaluations, and contracts.

4.1 Company policies on forced labour and child labour

Corporate Code of Conduct (the "Corporate Code")

Our Corporate Code sets out the expected behavior of all of our employees. We are committed to creating a work environment where all employees feel safe and are valued for the diversity they bring to our business. We have continued to require employees to complete annual mandatory Code of Conduct training. This training is reviewed and updated approximately each year and is required to be completed by employees before completing the required annual Corporate Code acknowledgment and sign-off. In 2023, 100 percent of employees completed this training and acknowledged and signed-off on the Code of Conduct. We do not tolerate discrimination or harassment and are committed to honoring domestic and internationally accepted labour standards and to support the protection of human rights.

Supplier Code of Conduct (the "Supplier Code")

TransAlta expects suppliers to know and uphold the human rights of all workers, whether temporary or contract employees, and to treat all their workforce members with dignity and respect, providing them with safe working conditions. The Supplier Code specifically addresses the prohibition of human rights abuses, including all forms of forced labour and child labour.

We expect all our suppliers to adhere to and implement the principles and practices expressed in the Supplier Code. In addition, we expect suppliers to cascade these principles and requirements down to their own respective suppliers.

TransAlta encourages all suppliers, workers, and other stakeholders, through the provisions of the Supplier Code, to speak up about any issues, concerns, and suspected violations of TransAlta's policies. All ethical or legal concerns related to the Supplier Code can be reported to TransAlta's Ethics Help Line.

Human Rights and Discrimination Policy

TransAlta's Human Rights and Discrimination Policy is a global policy that communicates our commitment to human rights in our operations and supply chain. The policy states that TransAlta will ensure that its personnel policies and practices in our operations around the world will respect the following fundamental rights:

- the right to a healthy and safe workplace;
- the right to non-discrimination in the workplace;
- the right to be free from cruel and unusual disciplinary practices;
- the prohibition of exploitative child labour; and
- the prohibition of forced labour and the avoidance of products produced by such labour.

Procurement Policy

TransAlta is committed to upholding our Procurement Policy, which aims to maintain workplaces that strictly prohibit all forms of forced labour.

4.2 Due diligence processes

We are developing a multi-year roadmap to help us further integrate other ESG considerations and opportunities, including the promotion and protection of human rights, into our SCM strategies and programs. This includes thorough pre-screening, self-assessment questionnaires, on-site and desktop evaluations, and ongoing performance monitoring.

Pre-screening and self-assessment

We continue to engage subject-matter experts from all relevant areas of TransAlta, including sustainability and legal, to provide input into supplier pre-qualification and the monitoring phases of the supplier lifecycle, as well as to offer guidance on emerging issues. Our aim is to ensure that our standards regarding safety, human rights, sustainability, and environmental practices are upheld throughout our supply chain, and that suppliers follow the high standards set forth in the Supplier Code.

Requests for proposals (RFPs) and proposal evaluations

Following a risk-based assessment of our supplier base, we may include in our RFPs specific questions regarding goods and services associated with medium

or high levels of risk. These questions address the origins of critical materials and components, supplier location, ownership, scope of business, etc. In certain instances, we may seek explicit assurances concerning specific risk areas and require proponents to affirm their commitment to specific contractual terms addressing these concerns.

Contractual measures

TransAlta's contracts include appropriate verification, notification requirements, audit, and inspection clauses, and we reserve the right to conduct inspections, assessments and audits to ensure that suppliers comply with applicable laws, rules, and standards, including those related to human rights. In addition, our standard terms require suppliers to commit to adhering to the principles and standards in our Supplier Code and to requiring their own suppliers to commit to similar principles and standards. TransAlta also reserves the right to discontinue business relationships in cases of non-adherence to the Supplier Code.

Our suppliers are obligated to take reasonable steps to ensure that goods and services are procured from ethical sources. This includes refraining from benefiting, directly or indirectly, from child or forced labour or any other discriminatory work practices.

Furthermore, TransAlta may request that a supplier provides information about its corporate structure (including relevant subcontractors), its policies (including those related to forced labour and child labour), and the steps the supplier has taken to assess, manage, remediate, or provide training in regard to the principles and requirements covered by the Supplier Code.

Ongoing monitoring

Compliance monitoring is a central focus for TransAlta. In line with a risk-based approach, we may initiate periodic reassessments linked to contract renewals or anniversaries.

We are committed to continually enhancing various measures, including the terms outlined in our suppliers' contracts, alongside proactive monitoring of diverse information sources, such as the Uyghur Forced Labour Prevention Act Entity List, Global Affairs Canada advisories, industry group updates, and non-governmental organization websites to identify suppliers at risk.

5. Risks of forced labour and child labour in our operations and supply chains

5.1 In TransAlta's operations

We consider the risk of forced labour occurring within our operations to be low for the following reasons:

- All site operational and office staff are hired in accordance with the laws and regulations in the jurisdictions where we operate.
- During the onboarding process, we conduct checks related to the right to work and ensure that individuals are choosing to work of their own free will.
- TransAlta benchmarks all the roles against three different remuneration surveys.
- All staff have the freedom to join a trade union or other association.

5.2 In TransAlta's joint ventures

We are satisfied with the efforts to prevent and decrease the risk of forced labor and child labor established by our joint venture managers, namely Heartland Generation, Southern Power Company, and Australian Gas Infrastructure Group. No forced labour and child labour concerns within our joint ventures have been raised during the Reporting Period, and we believe our joint ventures have implemented sufficient procedures to assess and address forced labour and child labour risks within their operations and supply chain.

5.3 In TransAlta's supply chain

For TransAlta, our supply chain — those organizations that provide goods or services to TransAlta — plays a key role in our ability to live up to our social responsibility commitments and attain our sustainability objectives. To that end, we strive to work with suppliers who are leaders in their industries, adhere to our fundamental policies and procedures and share our commitment to meet the highest standards relating to Human Rights.

Like many entities operating within the energy sector, and particularly those in the renewable energy space, we recognize that risks of forced labour and child labour may exist in our supply chain. As outlined by the United Nations Guiding Principles on Business and Human Rights ("UNGP"), our primary exposure to forced labour is expected to be beyond the second tier³ of our third-party relationships rather than direct causative impacts or contributory actions of our business.

This is particularly relevant in the following higher-risk sectors and products:

- solar panels;
- battery energy storage equipment;
- wind turbines;
- engineered equipment;
- information and communications technologies;

- industrial consumables; and
- electronics and electrical hardware.

Certain manufacturing regions and materials carry a higher risk of forced labour due to its prevalence in specific countries. We understand that many of our direct suppliers rely on global supply chains to provide goods and services to us, which presents challenges in obtaining visibility beyond the first tier³.

6. The Steps Taken to Assess and Manage the Risks

6.1 In TransAlta's Operations

As described above, TransAlta is dedicated to fostering a work environment where all employees feel secure and are valued for the diversity they bring to the Company. TransAlta has a comprehensive Code of Conduct that outlines the expected behavior of individuals doing work for TransAlta. Employees are required on an annual basis to complete mandatory Code of Conduct training and to acknowledge in writing its requirements. This training was updated and provided to employees during the Reporting Period.

6.2 In TransAlta's Supply Chains

In our effort to prevent and decrease the risk of forced labour within our supply chains, we have taken proactive steps to enhance supplier risk identification, assessment, analysis, remediation, and monitoring. Our comprehensive approach begins with the risk mapping of our supplier base, which enables us to evaluate critical suppliers, group and prioritize them, identify potential vulnerabilities, and assess the controls in place. Factors we consider include the geographic location of suppliers, differentiating between The Organization for Economic Cooperation and Development ("OECD") and non-OECD regions, the complexity of the supply chains, especially those leading to areas known for forced or child labour, industry-specific risks linked to human rights and labour practices, the critical or unique nature of the products procured versus commodity items, the duration of the supply relationships, and overall spend.

Following the risk mapping, assessment, and analysis, no instances of forced labour or child labour were identified during the Reporting Period. However, we have classified certain goods as high risk, such as solar panels, and as medium risk, such as transformers, due to their manufacturing origin in China. We are taking active measures to mitigate these identified risks. All transformers and solar panels have been sourced from well-established companies known for their dedication to sustainability and maintenance of transparent supply chains. In addition, each of these suppliers has covenanted to TransAlta in its respective supply contract that it conducts due diligence on its own suppliers and that it will not supply TransAlta with

any products that have been produced with forced or child labour.

Also, in partnership with ISNetwork ("ISN"), a global resource for connecting corporations with reliable contractors and suppliers in North America and Australia, we undertook an extensive survey in 2023 to collect ESG information from our North American supplier network. This survey encompassed a wide range of topics, including forced labour, child labour, and human trafficking and provided valuable insights into the procurement practices of our suppliers.

Additionally, during the Reporting Period we strengthened our standard form Terms and Conditions by raising the expectations and requirements concerning forced labour in supply chains. We also updated the terms of the Supplier Code to bring certain definitions and provisions into alignment with Canada's Modern Slavery Legislation.

These strategic procurement developments align with TransAlta's policies and due diligence processes aimed at preventing and reducing the risk of forced labour and child labour.

7. TransAlta's approach to remediation

Our Whistleblower Policy offers a reporting mechanism for our employees, officers, directors, and contractors to report ethical or legal violations, among other concerns. Stakeholders may make a report to identified individuals within TransAlta or through the Company's third-party Ethics Helpline. Upon receipt of a report, TransAlta will conduct a review of the facts, which often includes a comprehensive investigation. Upon completion of an investigation, we seek to remedy the impact of any impropriety promptly in order to establish a corrective action plan in collaboration with the relevant individuals and stakeholders. Our Whistleblower Policy prohibits retribution against any individual who reports an ethical complaint.

Our Supplier Code also includes information on the Ethics Helpline, which suppliers can use to raise concerns. During the Reporting Period, TransAlta received no reports of actual or suspected instances of forced labour or child labour. However, if TransAlta were found to have caused or contributed to any form of forced labour or child labour, we would seek to remedy the impact promptly, prioritizing the safety and well-being of the victim(s), and conduct an investigation to establish a corrective action plan in collaboration with the relevant individuals, stakeholders and regulatory agencies.

Should we identify an issue of forced labour or child labour within any of our suppliers' businesses, we are committed to employing a multifaceted approach to address the situation effectively. This approach incorporates a range of strategies, which includes exploring contractual avenues,

leveraging our partnership with the supplier to develop a corrective action plan that will comprehensively address the issue, or terminate the arrangement.

As part of our commitment to responsible business practices, community engagement plays a crucial role in our remediation efforts. We would seek to engage with local communities to understand their specific needs and preferences, aligning our remediation efforts with their goals.

Recognizing the importance of ongoing improvement, we understand that regular monitoring and evaluation of the impact of our remediation measures are essential. This would help us adapt and improve our strategies over time, ensuring they are effective in mitigating the loss of income to vulnerable families.

By undertaking these measures, we not only aim to resolve issues with our suppliers but also to contribute to broader efforts in eradicating forced labour and child labour and promoting ethical business practices within our supply chain.

8. Employee Training

During the Reporting Period, external counsel provided a presentation to our legal team on the substance of Canada's Modern Slavery Legislation to help them better understand the Company's legal requirements and the differences between the Australian and Canadian legislation.

In addition, TransAlta developed mandatory employee training on forced labour and child labour during the Reporting Period, which is scheduled for delivery in 2024 to all employees involved in the procurement of goods and services where the risk of forced labour has been deemed to be medium or high, including the SCM team. This training will focus on critical aspects of responsible procurement and sustainability-oriented supplier management, including the recognition of human trafficking behaviors. Participants will delve into the concept of forced labour, exploring international treaties and definitions, and identifying key indicators of forced labour. Furthermore, it will offer insights into the "hot geographies" where forced labour is more prevalent, reporting legislation, trade prohibitions, government contracting prohibitions, the role of the Canadian Ombudsperson for Responsible Enterprise in addressing complaints, litigation and reputational risks. This holistic training will incorporate practical applications of the acquired knowledge and will equip TransAlta employees with the tools and awareness required to foster responsible procurement practices.

9. Assessing the effectiveness of our actions

TransAlta understands that it has a responsibility to assess and mitigate the risks of modern slavery in its operations and supply chains over the long term. The Board of

Directors of TransAlta Corporation (the "Board") has overall responsibility for the strategy around modern slavery. It has delegated to the Governance, Safety and Sustainability Committee of the Board the development of strategies, policies and practices to create value consistent with the long-term preservation and enhancement of shareholder value and social wellbeing, including human rights, working conditions and responsible sourcing.

During the Reporting Period, we established an internal working group comprised of management representatives from SCM, Legal and Sustainability to review the impact of Canada's Modern Slavery Act on TransAlta and assess the effectiveness of the actions taken to date to address the risks of modern slavery. In addition to the amendments to our existing policies and procedures described above, the working group continues to assess opportunities for changes to its current framework to manage modern slavery risks.

In 2023, we have made significant progress in achieving our goals, as outlined below.

1. Strengthened Supplier Risk Management:

We enhanced our efforts to prevent forced labour and child labour in our supply chains by proactively identifying, assessing, and prioritizing critical suppliers, as well as assessing potential vulnerabilities based on factors such as location, supply chain complexity, industry-specific risks, and procurement relationships. By doing so, we can continually monitor and mitigate risks related to forced and child labour more effectively.

2. Gathered ESG data from our supplier network:

We have focused on gathering ESG data from our supplier network, with a specific focus on issues like forced labour and child labour. This has provided valuable insights into the procurement practices of our suppliers and contractors, helping us understand the upstream sourcing of materials, equipment, and services.

3. Terms and Conditions:

We strengthened our standard form Terms and Conditions to set higher expectations and requirements for addressing forced labour and child labour concerns. This will provide stronger incentives for suppliers to adhere to our standards.

4. Employee Training:

We developed comprehensive, mandatory training on forced labour for all employees involved in the procurement of goods and services where the risk of forced labour and child labour was deemed to be medium or high, including the SCM team.

During the course of 2024, we will further review and analyze ESG data from our supplier network. We expect to:

1. Roll out a mandatory modern slavery questionnaire to all new suppliers to assist us in gathering additional information around their policies and practices to mitigate modern slavery risks in their workplace and supply chains.
2. For existing suppliers, we will issue a modern slavery survey to gather information about their operations, supply chains, and environmental and social impacts, with a specific focus on slavery. This will be undertaken globally across the business.
3. Continue to actively seek to understand the upstream sourcing of materials, equipment, and services of our key vendor partners for both growth and operations.
4. Establish a vendor management database to formally record the assessment of modern slavery risk and commitment to the Supplier Code by our suppliers.

These improvements will further solidify our commitment to combating forced labour and child labour in our business and supply chains, aligning with our mission to uphold the highest standards of ethical and responsible business practices.

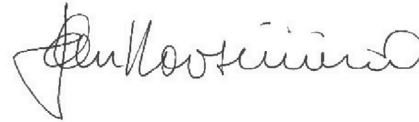
References:

- (1) TransAlta Generation Partnership, TransAlta Energy Marketing Corp., TransAlta Cogeneration L.P., Keephills 3 Limited Partnership, TransAlta (SC) L.P., Melancthon Wolfe Wind L.P., TA Alberta Hydro L.P., Garden Plain I L.P. TransAlta Generation Partnership, TransAlta Energy Marketing Corp., TransAlta Cogeneration L.P., Keephills 3 Limited Partnership, TransAlta (SC) L.P., Melancthon Wolfe Wind L.P., TA Alberta Hydro L.P., Garden Plain I L.P.
- (2) Australia Modern Slavery Statement is available online <https://modernslaveryregister.gov.au/statements/13769/>.
- (3) Tier One: supplier providing goods or services directly to the procuring entity. They produce an end deliverable.
Tier Two: supplier of goods or services directly to Tier One suppliers. Tier Two suppliers are subcontractors who may not have a direct relationship with the client company.
Tier Three: suppliers of raw material or base product to Tier Two suppliers. Tier Three suppliers may, for example, provide minerals for the manufacture of products by Tier Two suppliers.

10. Consultation and approval

This Report was approved pursuant to subparagraph 11(4)(b)(ii) of Canada’s Modern Slavery Legislation by the board of directors of TransAlta Corporation.

I have the authority to bind TransAlta Corporation.



Full name: John H. Kousiniaris
Title: President and Chief Executive Officer
Date: Feb. 22, 2024