

TRANSALTA CORPORATION
(the “Corporation”)

INVESTMENT PERFORMANCE COMMITTEE CHARTER

A. Establishment of Committee and Procedures

1. Composition of Committee

The Investment Performance Committee (the “Committee”) of the Board of Directors (the “Board”) of the Corporation shall consist of not less than three directors. All members of the Committee shall be determined by the Board to be “financially literate” pursuant to National Instrument 52-110 Audit Committees. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board at the recommendation of the Governance, Safety, and Sustainability Committee (the “GSSC”).

2. Appointment of Committee Members

Members of the Committee shall be appointed from time to time by the Board, on the recommendation of the GSSC, and shall hold office until the next annual meeting of shareholders, or until their successors are earlier appointed, or until they cease to be directors of the Corporation.

3. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and on the recommendation of the GSSC. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

4. Committee Chair

The Board shall appoint a Chair for the Committee on the recommendation of the GSSC.

5. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the members of the Committee who is present at the meeting shall be chosen by the Committee to preside as Chair at the meeting.

6. Secretary of Committee

The Committee shall appoint a Secretary who need not be a director of the Corporation. The Secretary shall keep minutes of the meetings of the Committee.

7. Meetings

The Chair of the Committee may call a regular meeting of the Committee. The Committee shall meet at least semi-annually and at such other time during each year as it deems appropriate to fulfill its responsibilities. In addition, the Chair of the Committee or any two members may call a special meeting of the Committee at any time.

8. Quorum

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

9. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of electronic facsimile communication or email) to each member of the Committee at least 48 hours prior to the time fixed for such meeting, provided however, that a member may in any manner waive notice of a meeting and attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called. Notice of every meeting shall also be provided to the external and internal auditors.

10. Attendance at Meetings

At the invitation of the Chair of the Committee, other Board members, the President and Chief Executive Officer (the "CEO"), the Chief Financial Officer ("CFO"), other officers or employees of the Corporation, and other experts or consultants may attend a meeting of the Committee.

11. Procedure, Records and Reporting

Subject to any statute or the articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board, generally not later than the next scheduled meeting of the Board.

12. Review of Charter and Evaluation of Committee

The Committee shall evaluate its performance and review and assess the adequacy of its Charter at least annually or otherwise, as it deems appropriate. All changes proposed by the Committee are reviewed and approved by the GSSC and the Board.

13. Outside Experts and Advisors

The Committee Chair, on behalf of the Committee, or any of its members is authorized, at the expense of the Corporation, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors to advise the Committee independently on any matter. The retention of such counsel, expert or advisor in no way requires the Committee to act in accordance with the recommendations of such counsel, expert or advisor.

B. Duties and Responsibilities of the Chair

The fundamental responsibility of the Chair of the Committee is to effectively manage the duties of the Committee.

The Chair is responsible for:

1. Chairing meetings of the Committee and ensuring that the Committee is properly organized so that it functions effectively and meets its obligations and responsibilities.
2. Establishing the frequency of Committee meetings, duly convening the same and confirming that a quorum is present when required.
3. Working with the CEO, the CFO, and the Corporate Secretary on the development of agendas and ensuring that required materials for effective decision-making are provided to the Committee.
4. Providing leadership to the Committee and assisting the Committee in ensuring the proper and timely discharge of its responsibilities.
5. Reporting to the Board on the recommendations and decisions of the Committee.

C. Mandate of the Committee

The Committee will assist the Board with oversight of management's investment conclusions, execution of major capital expenditure projects approved by the Board and in furtherance of the Corporation's strategic plans. The Committee will provide assistance to the Board in fulfilling its oversight responsibilities with respect to broadly reviewing and monitoring project management and control processes, financial profile, capital costs, procurement practices, and project schedules in a more in-depth manner than time permits during regularly scheduled Board meetings. Management is responsible for the identification and management of the Corporation's risks relating to its capital projects and is responsible for the development and implementation of policies and procedures to mitigate such risks. Management will review their risk management practices with the IPC.

D. Responsibilities of the Committee

The Committee has three broad sets of responsibilities in fulfilling its mandate: (i) advisory; (ii) endorsement; and (iii) assurance. Meeting agendas, discussions, and minutes will clearly denote which of these three responsibilities are associated with each topic.

In fulfilling its responsibilities, the Committee shall:

1. Act as a constructive advisory group for the CEO, CFO, as well as other officers and employees of the company, by providing feedback and advice on the portfolio of capital projects, as well as individual capital projects throughout their lifecycles. Specific advice may be provided on (i) the overall health of the project pipeline; (ii) the fit of individual projects within the overall growth and financial strategy of the Corporation; and (iii) a wide range of specific project topics, that will evolve from concepts to recommendations as the project progresses through the stage-gate process. These topics may include, but are not limited to: (i) rates of return and financing strategy; (ii) commercial contracting and procurement approach; (iii) assessment of counterparties; (iv) partner selection (if appropriate); and (v) risk assessment and mitigation plans (safety, reputational, operational, commercial, financial, etc.).

Each development project will have a standardized progress report, which will be provided to the Committee, including periodic updates on the project schedule, risks and costs at key milestones as projects advance through to execution.

2. Act as a review body for projects progressing through project stage-gates, and provide endorsement, or lack thereof, of specific capital investments to Management (if requested) or the Board, depending on the size of investment. Such requests for endorsement could range from front-end funding to progress a project concept to issuing a final notice to proceed.

In practice, all critical topics associated with a project or initiative should have been discussed with the Committee prior to a request for endorsement of a recommendation to the Board. As part of its final deliberations prior to deciding whether or not to endorse such a recommendation, the Committee will conduct a holistic review of a project or initiative considering, among other things and as deemed advisable, the substantive risks, efficacy of mitigation plans, project schedule, project costs, financial returns, and any other key elements.

Each project approved for execution by the Board will have a standardized progress report, which will be provided to the Committee, including periodic updates on the project schedule, risks and costs at key milestones as projects are being executed.

3. Act as an assurance body to ensure that: (i) each executed project is periodically assessed against performance expectations; and (ii) lessons learned are captured, disseminated, and embedded in the Company.

Each project that proceeds to execution will undergo periodic reviews (post-commissioning and at various stages of operation) to assess performance against expectations, including: (i) benefit realization analysis; (ii) implementation and effectiveness of risk mitigation strategies; (iii) a review of the scope and quality achieved compared to the original project approvals; (iv) final cost and schedule analysis; (v) customer, stakeholder and partner feedback; (vi) regulatory, political, and environmental challenges and successes; and (vii) financial analysis (revenue, volumes, internal rate of return).

In particular, these reviews will distill key lessons learned on all aspects of the project as well as an action plan to ensure that these lessons are shared and embedded in the Corporation in the spirit of continuous improvement and to facilitate improved investment performance for the future.