

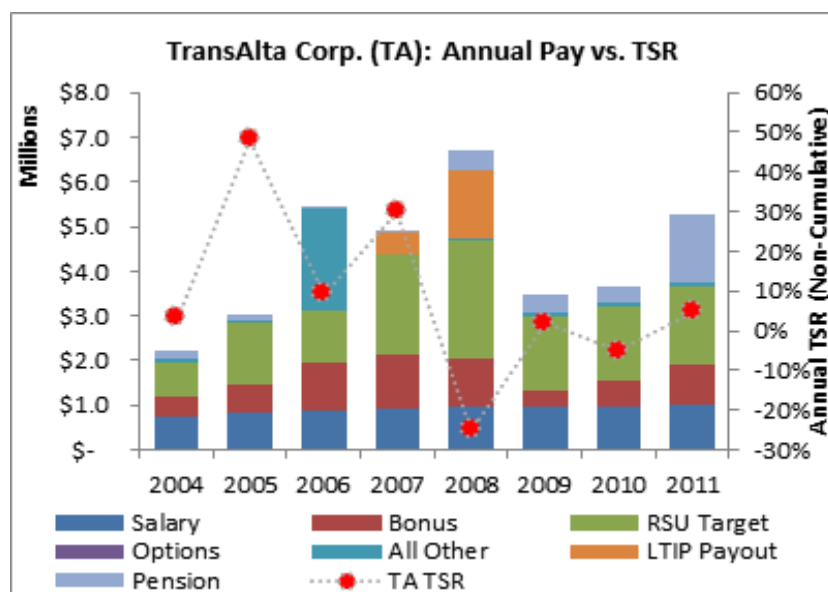
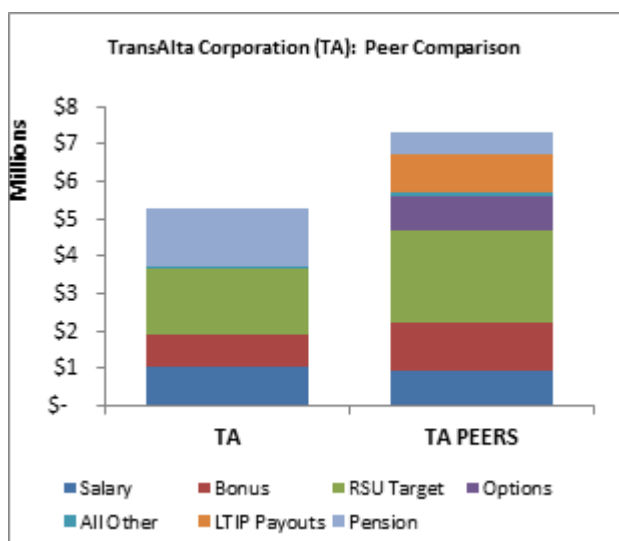
TransAlta Corporation (TA): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 2	4 YEAR = 2	6 YEAR = 1	8 YEAR = 8	TOTAL: 13/24

TA overhauled its executive compensation approach in 2009, which resulted in a significant overall reduction in total CEO pay, particularly with respect to bonus and PSU grants. Since that time, salary and PSU, the grant value of which is set at a pre-determined percentage of salary, have remained constant, with bonus and pension costs being the only components that fluctuate. This shift had the impact of flattening out CEO pay change over our 8-year observation, bringing it into close alignment with TSR in that period.

Although the impact on shorter term pay/TSR alignment has not been good, time will tell if TA's new compensation strategy will result in pay/performance alignment over the long term, particularly in light of the CEO change that occurred in 2012.

In 2011, TA's total CEO pay ranked 7th out of 11 peers, while ROE and ROA ranked in the top 5.



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
TSE:ACO.X	ATCO Ltd.
TSE:EMA	Emera Incorporated
TSE:TRP	TransCanada Corp.
TSE:FTS	Fortis Inc.
TSE:CPX	Capital Power Corporation
NYSE:AEE	Ameren Corp
TSE:ENB	Enbridge Inc.
NYSE:SE	Spectra Energy
NYSE:AES	AES Corporation
NYSE:GXP	Great Plains Energy Inc.

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	TSE:ENB	39.7%	TSE:EMA	16.6%	NYSE:SE	4.2%
2	NYSE:SE	28.0%	TSE:ACO.X	15.1%	TSE:EMA	3.5%
3	NYSE:AEE	23.8%	NYSE:SE	14.7%	TSE:TRP	3.1%
4	TSE:TRP	21.9%	TSE:ENB	12.7%	TSE:TA	3.0%
5	NYSE:GXP	17.1%	TSE:TA	10.7%	TSE:ENB	2.9%
6	TSE:CPX	11.4%	TSE:TRP	9.5%	TSE:ACO.X	2.6%
7	TSE:EMA	9.7%	TSE:FTS	8.2%	TSE:FTS	2.3%
8	TSE:TA	4.8%	NYSE:AEE	6.6%	NYSE:AEE	2.2%
9	TSE:ACO.X	3.8%	NYSE:GXP	5.8%	NYSE:GXP	1.9%
10	TSE:FTS	1.7%	TSE:CPX	5.1%	TSE:CPX	1.5%
11	NYSE:AES	-2.8%	NYSE:AES	-0.5%	NYSE:AES	-0.1%

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	NYSE:AEE	\$11,815,489	TSE:ENB	\$1,269,750	TSE:ENB	\$2,396,000	TSE:ENB	\$3,665,750	NYSE:AEE	\$9,270,054
2	TSE:ENB	\$8,361,087	TSE:FTS	\$1,125,000	TSE:FTS	\$1,625,000	TSE:FTS	\$2,750,000	TSE:ENB	\$3,632,824
3	NYSE:SE	\$7,159,648	TSE:TRP	\$1,083,338	TSE:ACO.X	\$1,600,000	TSE:ACO.X	\$2,600,000	NYSE:AES	\$3,615,399
4	TSE:TRP	\$6,862,716	TSE:TA	\$1,025,000	TSE:TRP	\$1,350,000	TSE:TRP	\$2,433,338	NYSE:SE	\$3,599,389
5	NYSE:AES	\$6,835,793	NYSE:SE	\$1,003,905	NYSE:SE	\$1,329,684	NYSE:SE	\$2,333,589	TSE:TRP	\$3,587,345
6	TSE:FTS	\$5,848,099	TSE:ACO.X	\$1,000,000	NYSE:AES	\$1,246,227	NYSE:AES	\$2,042,547	TSE:FTS	\$2,327,089
7	TSE:TA	\$5,264,977	NYSE:AEE	\$890,162	NYSE:AEE	\$1,099,350	NYSE:AEE	\$1,989,513	TSE:TA	\$1,742,760
8	TSE:ACO.X	\$4,091,756	NYSE:AES	\$796,319	TSE:CPX	\$946,669	TSE:TA	\$1,929,050	NYSE:GXP	\$1,582,515
9	NYSE:GXP	\$3,690,741	NYSE:GXP	\$791,255	TSE:TA	\$904,050	TSE:CPX	\$1,659,592	TSE:EMA	\$1,223,938
10	TSE:EMA	\$3,015,399	TSE:EMA	\$747,115	NYSE:GXP	\$640,126	NYSE:GXP	\$1,431,381	TSE:ACO.X	\$1,175,320
11	TSE:CPX	\$2,920,170	TSE:CPX	\$712,923	TSE:EMA	\$556,500	TSE:EMA	\$1,303,615	TSE:CPX	\$917,462

PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

