

**INDEMNIFICATION AGREEMENT**  
This agreement made effective as of **[date]**.

BETWEEN:

**TRANSALTA CORPORATION,**

a body corporate under the laws of Canada with offices in the City of Calgary, in the Province of Alberta, Canada (hereinafter called "TransAlta")

- and -

**[NAME],**

of the City of **[city]**, in the **[Province/State]** of **[province/state]**, **[country]** (hereinafter called the "Indemnified Party")

WITNESSETH THAT, WHEREAS:

- (a) The Indemnified Party is or has been, from time to time, at the request of TransAlta, acting in the capacity of or appointed as an officer, director, or other individual who is acting or has acted in a similar capacity (and the Indemnified Party shall for purposes hereof be referred to as a director or officer in so acting or having acted) for one or more bodies corporate, partnerships, limited partnerships, limited liability companies, unincorporated associations, unincorporated syndicates, unincorporated organizations, joint ventures, trusts or other entities, as may be requested by TransAlta from time to time ("Entity");  
  
(TransAlta, and the Entity being herein individually called a "Corporation" and collectively called the "Corporations");
- (b) TransAlta acknowledges that the Indemnified Party, acting in the capacity of director or officer, is or has been required to make decisions and take actions in furtherance of the business and affairs of the Corporations which might have the result of attracting personal liability; and
- (c) It is in the best interests of TransAlta that it retain the continuing dedication of the Indemnified Party by acknowledging its undertaking to indemnify the Indemnified Party from all costs, charges and expenses incurred or sustained by the Indemnified Party acting in the capacity of director or officer of the Corporations;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency whereof is mutually acknowledged), the Indemnified Party and TransAlta (hereinafter called the "Parties") covenant and agree as follows:

## **1. Duty of Care**

TransAlta shall indemnify and save harmless the Indemnified Party, in exercising his or her powers and discharging his or her duties as a director or officer of the Corporations provided that while acting in that capacity the Indemnified Party:

- (a) acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) exercised the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## **2. Disclaimer of Liability**

Subject to applicable law, except to the extent that such costs, charges or expenses are incurred or sustained as a result of any failure of the Indemnified Party to act in accordance with Section 1 of this Agreement, the Indemnified Party shall not be liable for any costs, charges or expenses whatsoever incurred or sustained by a Corporation, including, without limitation, any costs, charges or expenses incurred or sustained as a result of:

- (a) the acts, receipts, neglects or defaults of any other director, officer or employee of a Corporation;
- (b) joining in any receipt or act for conformity;
- (c) any costs, charges or expenses happening to TransAlta through the insufficiency or deficiency of title to any property acquired by or on behalf of the Corporations;
- (d) the insufficiency or deficiency of any security in or upon which any of the moneys of or belongings of the Corporations shall be placed out or invested;
- (e) any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation, with whom or with which any moneys, securities or effects shall be lodged or deposited;
- (f) any loss, conversion, misapplication or misappropriation of, or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporations; or
- (g) any other loss, damage or misfortune whatsoever which may happen in the execution of the duties of his or her respective office or trust, or in relation thereto.

## **3. Indemnity**

- (a) Except in respect of an action by or on behalf of the Corporations to procure a judgment in its favour to which the Indemnified Party is made a party because of the individual's association with the Corporations, TransAlta will indemnify and save harmless the Indemnified Party, his or her heirs and legal representatives against all

costs, charges and expenses (including, without limitation, any legal, counsel and witness fees or expenses), including an amount paid to settle an action or satisfy a judgment or any fines levied, reasonably incurred by the Indemnified Party in respect of any civil, criminal, administrative, investigative or other proceeding in which the Indemnified Party is involved because of that association with the Corporation if:

- (i) the Indemnified Party acted honestly and in good faith with a view to the best interests of the Corporations; and
  - (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Party had reasonable grounds for believing that his or her conduct was lawful.
- (b) In respect of an action by or on behalf of the Corporations to procure a judgment in its favour to which the Indemnified Party is made a party because of the individual's association with the Corporations, TransAlta shall make application at its expense for approval of the relevant Court to indemnify and save harmless the Indemnified Party, his or her heirs and legal representatives against all costs, charges and expenses (including, without limitation, an amount paid to settle an action or satisfy a judgment or any fine levied and any legal, counsel and witness fees or expenses) reasonably incurred by the Indemnified Party in connection with such action, if the Indemnified Party has fulfilled the conditions set out in Sections 3(a)(i) and (ii).
- (c) Notwithstanding any of the foregoing, TransAlta shall indemnify and save harmless the Indemnified Party, his or her heirs and legal representatives against all costs, charges and expenses reasonably incurred by the Indemnified Party in connection with the defense of any civil, criminal, administrative, investigative or other proceeding to which the Indemnified Party is subject because of the Indemnified Party's association with the Corporations, if:
  - (i) The Indemnified Party was not judged by a court or other competent authority to have committed any fault or omitted to do anything that the Indemnified Party ought to have done; and
  - (ii) the Indemnified Party fulfills the conditions set out in Sections 3(a)(i) and (ii).
- (d) For the purposes of this Agreement, the termination of any civil, criminal or administrative action or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption either that the Indemnified Party did not act honestly and in good faith with a view to the best interests of the Corporations or that, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the Indemnified Party did not have reasonable grounds for believing that his or her conduct was lawful.
- (e) Notwithstanding the generality of the foregoing, should the Indemnified Party be or become, directly or indirectly, a party to any civil, criminal, administrative, investigative or other proceeding, because of the individual's association with the Corporations, and thereby incur or become liable for any costs, charges or expenses

(including, without limitation, any legal, counsel and witness fees or expenses), then TransAlta shall forthwith advance moneys to the Indemnified Party to pay, or reimburse the Indemnified Party for, any and all such costs, charges and expenses, provided that in respect of an action referred to in Section 3(b) such advance shall only be made by TransAlta after approval by the relevant Court. If, and only if, the outcome of such civil, criminal, administrative, investigative or other proceeding establishes that the Indemnified Party was not entitled to reimbursement of such costs, charges and expenses the Indemnified Party shall be liable to repay to TransAlta all amounts advanced by it under this Section 3(e), and the Indemnified Party shall make payment to TransAlta of an amount equal to the amount of all such advances by TransAlta under this Section 3(e).

#### **4. Insurance**

Unless otherwise agreed between the Parties hereto, TransAlta shall purchase and maintain, or cause to be purchased and maintained, while the Indemnified Party remains a director or officer of the Corporations and for a period of 7 years thereafter, directors' and officers' errors and omissions insurance for the benefit of the Indemnified Party and his or her heirs and legal representatives on terms no less favourable in terms of coverage and amounts, to the extent permitted by law and available on reasonable commercial terms, than such insurance maintained in effect by TransAlta on the date hereof.

#### **5. Income Tax**

Should any payment made pursuant to this Agreement be deemed by any taxation authority of Canada or any political subdivision thereof or of any other country to constitute a taxable benefit to the Indemnified Party or otherwise be or become subject to any tax or levy, then TransAlta shall pay such greater amount as may be necessary to ensure that the amount received by or on behalf of the Indemnified Party, after the payment of or withholding for such tax is equal to the amount of the actual costs, charges and expenses incurred by or on behalf of the Indemnified Party, such that this Indemnity shall serve to indemnify the Indemnified Party against liability for any and all such taxes.

#### **6. Assignment**

The duties and obligations of TransAlta under this Agreement shall be binding upon, and enforceable by the Indemnified Party and the Indemnified Party's heirs and legal representatives, against TransAlta and its successors and assigns, including any corporation with which TransAlta is merged or amalgamated. TransAlta covenants and agrees that it shall not, without the consent of the Indemnified Party, transfer or dispose of all or substantially all of its assets or undertakings to any entity that does not agree to assume all of the obligations of TransAlta under this Agreement.

#### **7. Effective Date**

Notwithstanding the date of execution of this Agreement, the terms and provisions hereof shall be effective, binding upon, and enforceable by the Parties as of and from the date on which the Indemnified Party was first appointed or elected a director or officer of the Corporations.

## **8. Indemnification Provision of By-Laws**

The indemnity provided by this Agreement is in addition to, and neither restricts nor is it restricted by the indemnification provisions provided by Section 5 of By-Law No. 1 of TransAlta.

## **9. Defence of Claims**

The Indemnified Party covenants and agrees that, upon becoming aware of any facts or circumstances which may give rise to any potential liability for which TransAlta would be required to indemnify the Indemnified Party pursuant to the provisions of this Agreement (a "Claim"), the Indemnified Party shall immediately deliver written notice to TransAlta setting out in reasonable detail the nature of the facts relating to such Claim. If any Claim is made or brought against the Indemnified Party in connection with any of the matters against which the Indemnified Party would be indemnified pursuant to this Agreement, upon receipt of the notice of the Claim, and subject in respect of an action referred to in Section 3(b), the approval of the relevant Court, TransAlta shall, at its expense and in a timely manner, contest and defend against any such Claim and take all such steps as may be necessary or proper to prevent the resolution thereof in a manner adverse to the Indemnified Party. The Indemnified Party shall fully cooperate with TransAlta in taking all such steps, and hereby consents to the taking of such steps by TransAlta. If TransAlta does not in a timely manner undertake the contestation or defence of the Claim, the Indemnified Party may do so and, subject to, in respect of an action referred to in Section 3(b), the approval of the relevant Court, such contestation or defence shall be at the expense and risk of TransAlta provided that if the outcome of any civil, criminal, administrative, investigative or other proceeding establishes that the Indemnified Party was not entitled to contest or defend the Claim at the risk and expense of TransAlta the Indemnified Party shall be liable to repay to TransAlta all amounts paid by TransAlta in connection with such contestation or defence pursuant to this Section 9 and Section 3(e).

## **10. Obligations of TransAlta Absolute**

The obligations of TransAlta under this Agreement are absolute and unconditional and shall not be released, discharged or reduced, and the rights of the Indemnified Party hereunder shall not be prejudiced or impaired, by any neglect, delay or forbearance in demanding, requiring or enforcing payment or performance by TransAlta of any of its obligations hereunder or by granting any extensions of time for such performance or by waiving any performance (except as to any particular performance which has been waived), or by permitting or consenting to any assignment in bankruptcy, receivership, insolvency or any other creditor's proceedings of or against TransAlta or by the winding-up or dissolution of TransAlta or any other event or occurrence which would or might otherwise have the effect at law of terminating the obligations of TransAlta under this Agreement.

## **11. Court Approval**

TransAlta shall use reasonable commercial efforts to obtain any approval of a court required by law for the indemnification of the Indemnified Party in accordance with the terms and conditions of this Agreement.

**12. Severability**

If any part of this Agreement or the application of such part to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such part to any other person or circumstance, shall not be effected thereby and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

**13. Choice of Law**

This Agreement shall be governed and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

IN WITNESS WHEREOF, the Parties executed this agreement on **[date]**.

**TRANSALTA CORPORATION**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

\_\_\_\_\_  
Witness (*print name*)

\_\_\_\_\_  
[NAME]