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Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

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Dear Sirs and Mesdames:

CSA Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers

This letter is in response to the request for comment on *Consultation Paper 51-404 Considerations for Reducing Regulatory Burden for Non-Investment Fund Reporting Issuers* (the "Consultation Paper"). We appreciate the opportunity to comment on the Consultation Paper and have provided responses below to a number of matters on which specific comment was requested.

2.2 Reducing the regulatory burdens associated with the prospectus rules and offering process

(c) Streamlining public offerings for reporting issuers

13. Are conditions right to propose a type of alternative prospectus model for reporting issuers?

We support initiatives that seek to provide investors with more concise and focused disclosure in an offering document; however, we would be reluctant to support any changes to the short form prospectus regime that could impose additional burdens on an issuer's continuous disclosure obligations. The alternative prospectus model referenced in the Consultation Paper suggests adopting a model whereby reporting issuers and dealers participating in an offering would assume liability for any misrepresentation in the reporting issuer's disclosure base. We would be hesitant to support an alternative prospectus model that effectively incorporates by reference a broader set of a reporting issuer's continuous disclosure documents than that required by the current short form prospectus regime. The concerns arising from such an alternative prospectus model include that all of a reporting issuer's disclosure documents: (i) will become subject to greater degree of auditor review and scrutiny, (ii) will likely necessitate further French (or English) translation obligations, and (iii) would demand a higher level of "due diligence" in the preparation of continuous disclosure documents. This could have the unintended consequence of increasing costs, delaying dissemination of information and generally discouraging the dissemination of non-material information.

2.3 Reducing ongoing disclosure requirements

(c) Permitting semi-annual reporting

23. What are the benefits of quarterly reporting for reporting issuers? What are the potential problems, concerns or burdens associated with quarterly reporting?

The concern with quarterly reporting includes the costs and resources required to prepare and compile quarterly financial statements. There is also a theory that quarterly reporting causes investors and analysts to focus on short-term results over long-term performance.

24. Should semi-annual reporting be an option provided to reporting issuers and if so under what circumstances? Should this option be limited to smaller reporting issuers?

We support the recommendation of providing reporting issuers with the option to report on a semi-annual basis. For reporting issuers that have a long-term investment horizon, such as TransAlta Corporation, having the option to report on a semi-annual basis would be welcomed as a positive development. Accordingly, the option should not be limited to smaller reporting issuers.

As has been the case in the United Kingdom, there are a number of factors that could nonetheless lead reporting issuers to continue to report on a quarterly basis. These factors include the potential for: (i) negative signaling effects of stopping quarterly reports, (ii) keeping up with industry peers where quarterly reporting is required, and (iii) making the disclosure of an issuer's information more episodic.¹ As such, we are also supportive of shifting quarterly reporting from an emphasis on quantitative factors to qualitative factors, which could include the filing of a "quarterly highlights" document in the form permitted to be filed by venture issuers rather than filing quarterly financial statements.

2.5 Enhancing electronic delivery of documents

32. The following consultation questions pertain to the "notice-and-access" model under securities legislation and consideration of potential changes to this model:

- (a) Since the adoption of the "notice-and-access" amendments, what aspects of delivering paper copies represent a significant burden for issuers, if any? Are there a significant number of investors that continue to prefer paper delivery of proxy materials, financial statements and MD&A?**

As a result of the adoption of "notice-and-access", we have been able to realize meaningful reductions in our costs for printing and mailing. However, the requirement to continue to deliver financial statements and management's discussion and analysis ("MD&A") to beneficial shareholders continues to give rise to substantial printing and mailing costs. We would propose amendments that provide for the "notice-and-access" regime that currently applies to proxy related materials to be extended to also apply to financial statements and MD&A. We would expect that the delivery to both beneficial and registered holders of a notice explaining where to obtain an electronic copy and how to request a paper copy would be sufficient to satisfy delivery purposes. We have not had a meaningful number of investors express a preference for paper delivery of proxy materials, financial statements and MD&A.

- (b) Do you think it is appropriate for a reporting issuer to satisfy the delivery requirements under securities legislation by making proxy materials, financial statements and MD&A publicly available electronically without prior notice or consent and only deliver paper copies of these documents if an investor specifically requests paper delivery? If so, for which of the documents required to be delivered to beneficial owners should this option be made available?**

Yes, it is appropriate for a reporting issuer to satisfy the delivery requirements under securities legislation by making proxy materials, financial statements and MD&A publicly available electronically without prior notice or consent and only deliver paper copies of these documents if an investor specifically requests paper delivery. It would seem to be appropriate to provide paper copies of the financial statements, MD&A and proxy circular if requested by the shareholder. In addition to the anticipated cost savings of adopting a broader "notice-and-access" amendment

¹ *Impact of Reporting Frequency on UK Public Companies*; Robert C. Pozen, Suresh Nallareddy, Shivaram Rajgopal; The CFA Institute Research Foundation (March 2017).

through reduced printing and mailing expenses, there will also be an environmental benefit as less paper will be required that would otherwise go into landfills or be recycled and the reduction in physical delivery of documents will lower carbon emissions. We suggest that the securities regulatory authorities coordinate their efforts to further amend the "notice-and-access" regime with provincial and federal legislatures such that comparable amendments are made to the federal and provincial business corporations acts.

Thank you for the opportunity to comment on the Consultation Paper. Please feel free to contact the undersigned should you wish to discuss in more detail.

Yours truly,

TRANSALTA CORPORATION

"Scott Jeffers"

SCOTT T JEFFERS
Assistant Corporate Secretary

Cc: John Kousinioris, Chief Legal and Compliance Officer and Corporate Secretary
Donald Tremblay, Chief Financial Officer
Todd Stack, Managing Director and Controller