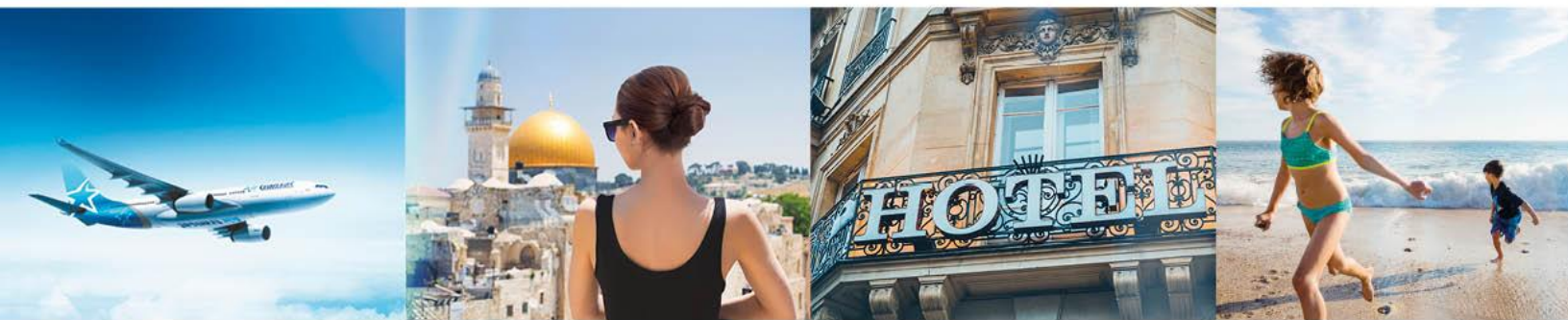




2017 Annual Information Form



Transat A.T. Inc.

Annual Information Form

For the year ended October 31, 2017

December 13, 2017



Our destinations

SOUTH & UNITED STATES

		Victoria	Vancouver	Kelowna	Calgary	Edmonton	Saskatoon	Regina	Winnipeg	Thunder Bay	Sault Ste. Marie	Windsor, Ont.	London, Ont.	Hamilton	Toronto	Ottawa	Rouyn-Noranda	Montreal	Quebec City	Fredericton	Halifax	St. John's	Moncton
COLOMBIA	Cartagena														•			•					
	San Andres																	•					
COSTA RICA	Liberia														•		•	•					
	San José														•		•	•					
CUBA	Cayo Coco													•	•	•	•	•	•		•		
	Cayo Largo														•		•	•					
	Cayo Santa Maria		•						•		•	•		•	•	•	•	•	•		•		
	Havana														•		•	•					
	Holguin														•		•	•	•		•		
	Santa Lucia (Camaguey)														•		•	•					
	Varadero		•		•	•			•					•	•	•	•	•	•		•		•
DOMINICAN REPUBLIC	La Romana														•		•	•	•				
	Puerto Plata													•	•	•	•	•	•	•	•		
	Punta Cana		•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
	Samana														•	•	•	•	•				
	Santo Domingo														•		•	•					
EL SALVADOR	San Salvador																	•					
GUADELOUPE	Pointe-à-Pitre																	•					
HAITI	Port-au-Prince																	•					
HONDURAS	Roatan														•		•	•	•				
JAMAICA	Montego Bay														•		•	•			•		
MARTINIQUE	Fort-de-France																	•					
MEXICO	Acapulco																	•					
	Cancun-Riviera Maya	•	•	•	•	•	•	•	•				•	•	•	•	•	•	•	•	•	•	•
	Cozumel														•		•	•					
	Huatulco		•		•	•	•	•							•								
	Ixtapa																	•					
	Los Cabos		•																				
	Puerto Vallarta	•	•	•	•	•	•	•	•						•		•	•					
NICARAGUA	Managua														•		•	•					
PANAMA	Playa Blanca														•		•	•					
PUERTO RICO	San Juan														•		•	•					
UNITED STATES	Fort Lauderdale														•		•	•		•		•	
	Orlando														•		•	•		•		•	
	Tampa														•		•	•					

• Direct flights

Our destinations



EUROPE

		Toronto	Montreal	Quebec City	Calgary	Vancouver
BELGIUM	Brussels	○	●			○
CROATIA	Zagreb	●	○		○	○
CZECH REPUBLIC	Prague	○	●	○		○
ENGLAND	London	●	● ○	○	● ○	● ○
	Manchester	●	○		○	● ○
	Bordeaux	○	●			○
FRANCE	Lyon	○	●	○		○
	Marseille	○	●	○		○
	Nantes	○	●	○		
	Nice	● ○	●	○		○
	Paris	● ○	●	● ○	○	● ○
	Toulouse	○	●	○		
GREECE	Athens	● ○	●		○	○
IRELAND	Dublin	● ○	○		○	○
ISRAEL	Tel Aviv	○	●			
	Lamezia	●	○		○	○
ITALY	Rome	● ○	● ○		○	○
	Venice	● ○	● ○			○
NETHERLANDS	Amsterdam	●	○		● ○	● ○
	Faro	●	○			
PORTUGAL	Lisbon	● ○	● ○		○	○
	Porto	● ○	● ○		○	○
SCOTLAND	Glasgow	●	○		○	● ○
	Barcelona	● ○	●	○	○	○
SPAIN	Madrid	○	●	○		
	Malaga	○	●	○		
SWITZERLAND	Basel-Mulhouse	○	●			○

● Direct flights ○ Connecting flights

CANADA

		Calgary	Montreal	Ottawa	Quebec City	Rouyn-Noranda	Toronto	Vancouver	Edmonton
ALBERTA	Calgary						●		●
	Edmonton	●					●		
BRITISH COLUMBIA	Vancouver	●	●				●		
ONTARIO	Toronto	●	●					●	●
	Montreal				●	●	●	●	
QUEBEC	Quebec		●						
	Rouyn-Noranda		●						



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In this Annual Information Form (“**AIF**”), the terms “we”, “our”, “us”, “Transat” and the “Corporation” refer to Transat A.T. Inc. together with one or more of its subsidiaries, or to Transat A.T. Inc. alone, as the context may require. All dollar amounts referred to in this AIF are expressed in Canadian dollars, except where otherwise indicated. The information contained in this AIF is reported as at October 31, 2017, being our financial year-end, unless otherwise indicated. The following is a list of our registered and unregistered trademarks and designs that are referred to and used as such in this AIF: our star design, luggage tag, Air Transat and “Welcome” mosaic design featured on some of its aircraft, American Affair, Canadian Affair, Club Voyages, Exitnow.ca, Jonview Canada, Marlin Travel/Voyages Marlin, Trafictours, Transat, Transat Holidays/Vacances Transat, Transat Holidays USA, Turissimo, Voyages en Liberté and Transat Travel/Voyages Transat. Any other trademarks, designs or corporate, trade or domain names used in this AIF are the property of their owners. Following the October 31, 2016 sale of Transat France, the purchaser is authorized to use the Vacances Transat and ancillary trademarks for a period of eighteen (18) months, namely until April 30, 2018.



1. CORPORATE STRUCTURE

1.1 NAME AND INCORPORATION

Transat A.T. Inc. (hereafter “**Transat**”) was incorporated under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (the “**Canada Business Corporations Act**”) by Certificate of Incorporation dated February 13, 1987. Since its incorporation, Transat has amended its Articles by way of Certificates of Amendment to make the following material changes:

- (i) Change its name to “Transat A.T. Inc.”;
- (ii) Establish the number of directors at a minimum of nine and a maximum of fifteen and allow the Board of Directors to appoint directors during a given year;
- (iii) Provide for the creation of an unlimited number of Preferred Shares issuable in series, leading to the creation of 2,400,000 Series 1 Preferred Shares, of 250,000 Series 2 Preferred Shares and an unlimited number of Series 3 Preferred Shares;
- (iv) Subdivide each common share on the basis of three common shares for each issued and outstanding common share;
- (v) Impose additional restrictions on the issuance and transfer of our voting shares in order for us to retain our status as a “Canadian” corporation under the *Canada Transportation Act*, S.C. 1996, c. 10 (the “**Canada Transportation Act**”); and
- (vi) Create an unlimited number of Class A Variable Voting Shares (the “**Variable Voting Shares**”) and an unlimited number of Class B Voting Shares (the “**Voting Shares**”); convert each issued and outstanding common share which is not owned and controlled by a Canadian under the *Canada Transportation Act* into one Variable Voting Share; convert each issued and outstanding common share owned and controlled by a Canadian within the meaning of the *Canada Transportation Act* into one Voting Share; cancel each issued and outstanding common share so converted; cancel the unissued common shares of Transat and substitute thereto, with the required adaptations, the Variable Voting Shares and the Voting Shares for the purpose of exercising all rights of subscription, purchase or conversion relating to the common shares so cancelled; and supersede prior restrictions on the issuance and transfer of our voting shares stated in (v) above.

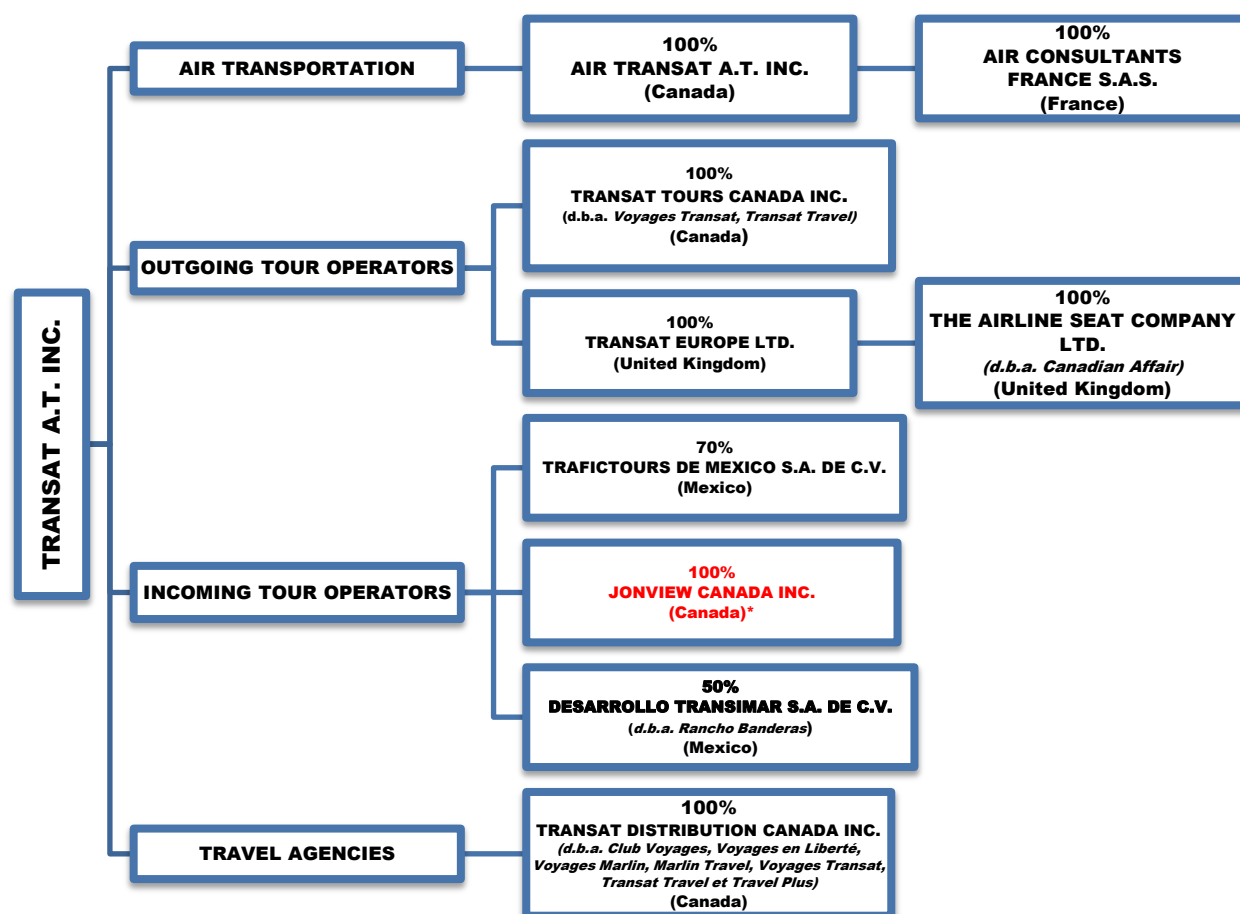
Since November 16, 2015, the Variable Voting Shares and the Voting Shares trade on the TSX under a single ticker designated “TRZ”, bearing CUSIP number 89351T401, which shares are designated for purposes of trading on the TSX and reporting in brokerage accounts under the single designation “Voting and Variable Voting Shares” of Transat.

Transat’s head office is located at Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Québec, Canada H2X 4C2.



1.2 INTER-CORPORATE RELATIONSHIPS

The following chart sets out our corporate structure. We have omitted certain subsidiaries each of which represents not more than 10% of our consolidated assets and not more than 10% of our consolidated operating revenues and all of which, in the aggregate, represent not more than 20% of our consolidated assets and not more than 20% of our consolidated operating revenues.



* This entity was sold on November 30, 2017.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 THE HOLIDAY TRAVEL INDUSTRY

The holiday travel industry consists of tour operators, traditional and online travel agencies, destination service providers, hotel operators, and air carriers. Each of these subsectors includes companies with different operating models.

Generally, outgoing tour operators purchase the various components of a trip locally or abroad and sell them separately or in packages to consumers in their local markets, through travel agencies or via the Web. Incoming tour operators design travel packages or other travel products consisting of services they purchase in their local market.



for sale in foreign markets, generally through other tour operators or travel agencies. Destination service providers are based at destination and sell a range of optional services to travellers onsite for spontaneous consumption, such as excursions or sightseeing tours. These companies also provide outgoing tour operators with logistical support services, such as ground, maritime or flight transfers between airports and hotels or ports and hotels. Travel agencies, operating independently, in networks or online, are distributors serving as intermediaries between suppliers and consumers. Hotel operators sell accommodations, on an all-inclusive basis or not, either directly, through travel agencies or through tour operators. Air carriers sell seats through travel agencies or directly to tour operators that use them in building packages, or directly to consumers.

2.2 CORE BUSINESS, VISION AND STRATEGY

2.2.1 Core Business

Transat is an integrated international tour operator. We operate mainly in the holiday travel industry and market our services in the Americas and Europe. As a tour operator, Transat's core business consists in developing and marketing holiday travel services in package and air-only formats. We operate as both an outgoing and incoming tour operator by bundling services purchased in Canada and abroad and reselling them primarily in Canada, France, the UK and in ten other European countries (including departures from Mexico and other Central and South American countries), directly or through intermediaries, as part of a multi-channel distribution strategy. Transat is also a retail distributor, both online and through travel agencies, some of which it owns. For the most part, Transat relies on its subsidiary Air Transat for a significant portion of its air transportation needs. Transat offers services to destinations in Canada, Mexico, the Dominican Republic and Jamaica.

2.2.2 Vision

As a leader in holiday travel, Transat intends to pursue growth by inspiring trust in travellers and by offering them an experience that is exceptional, friendly and reliable. Our customers are our primary focus, and sustainable development of tourism is our passion. We intend to expand our business to other countries where we see high growth potential for an integrated tour operator specializing in holiday travel.

2.2.3 Strategy

In its 2018-2022 strategic plan, Transat adopted the goal of creating sustainable profitability by improving and reinforcing its current model on the one hand, and developing a hotel business on the other. Transat has developed an action plan focused on reducing direct and operating costs, and on increasing margins, in order to maximize the value created by its recreational travel activities.

To develop hotels, a business unit will be created to operate all-inclusive hotels in the Caribbean and Mexico, some of which will be wholly owned and others not. This hotel chain will reinforce Transat's profitability, especially in the winter season, while giving it control over the end-to-end experience of all its clients, including Canadian clients who represent 12% to 15% of hotel customers.

What is more, Transat will strengthen its current model by continuing to focus on meeting its leisure customers' expectations of receiving a convivial service at an affordable price. This can be achieved by increasing the synergy between the business's various hubs in Canada, pursuing efforts to increase efficiency and reduce costs, continuing to enhance the business's digital footprint and paying close attention to the developmental scope of certain features, such as income management or airline network planning.

Finally, enterprise liability (whether the environment, customers, employees or partners) will remain a major component of Transat's strategy.



For fiscal 2018, Transat has set the following objectives:

1. Proceed with the creation of a wholly owned Transat chain of hotels: establish the team, develop the concept and choose the brand, initiate the acquisition of the first hotel and/or lot;
2. Increase efficiency by, among other things, pursuing the cost-reduction policy and improving management practices for income, tariff-setting and aircraft use;
3. Improve distribution by continuing to increase direct sales, refining channel piloting and reinforcing our presence in mobile technologies;
4. Improve our proximity with customers, notably by centralizing record management, measuring satisfaction and simplifying the travel experience.

Reinforcing our commitments in terms of business liability, including by such means as obtaining the *Travelife* certification and refining our customer satisfaction measurement.

2.3 REVIEW OF 2017 OBJECTIVES AND ACHIEVEMENTS

The main objectives and achievements for fiscal 2017 were the following:

- **Increase the competitiveness of our distribution, notably by reinforcing our product offering and network, continuing to increase our controlled sales and client intimacy and optimizing our revenue management.**

We have continued to improve our controlled sales, notably by increasing the value of our online sales by 28% in Canada, and 18% worldwide. We have updated our sites by introducing a new reservation experience, thus achieving marked improvement in last year's shopping experiences.

We have also started to improve our income management by increasingly automating the decisions and reinforcing our skills by hiring outside talent.

- **Continue to improve Air Transat's operational efficiency and plan for the optimization and renewal of our fleet.**

Major steps were completed this year in terms of the fleet's optimization and future configuration. On the one hand, the Corporation has executed agreements to lease ten Airbus A321neo LR planes that will be coming into service progressively starting in the spring of 2019. On the other hand, an agreement was signed with Thomas Cook pursuant to which the latter will loan Airbus A321ceo aircraft to Transat for the winter season in exchange for one or two Airbus A330s for the winter season.

In time, the fleet will only have two or three different types of aircraft, all Airbuses, namely A330s and aircraft from the A320 family, the majority of which will be A321s. This configuration will help simplify the implementation of a unique model of a flexible dual fleet operated by Transat that will allow its pilots to easily move from one aircraft to another, resulting in immediate cost benefits notably in terms of training and maintenance. This will also be truly beneficial to customers in terms of product homogeneity; for example, Club seats will be available for all city pairs and on all Air Transat aircraft. Moreover, replacing the A310s by A321neo LRs will result in countless benefits, from maintenance, to fuel consumption (which is both cost efficient and good for the environment), to the number of seats that are more adapted to certain city pairs and the possibility of greater flight frequency.



In terms of operational efficiency, controllable punctuality has been improved compared to 2015, after a drop of one or two points in 2016 (based on the delays considered), whereas irregular operations (IRROPS) have been reduced by more than one third over last year, despite the 5% increase in the number of departures.

➤ **Increase our presence in hotels and acquire more hotel management competencies.**

In 2017, negotiations with H10 contemplating the potential acquisition of Ocean Hotels allowed us to take stock of our ten-year presence within this hotel business, while reinforcing our knowledge of the market, the financial channels and acquisition techniques specific to this industry. This year has also allowed us to lay down the foundations for creating the team that will pilot our project. Finally, the transfers completed in 2016 and 2017 (Transat France, TourGreece, Ocean, Jonview) have generated the liquidities needed for the projected investment.

➤ **Pursue our cost reduction and unit margin improvement efforts.**

The objective of achieving \$100 million in margin improvements and cost reductions over the three-year span of the strategic plan has been reached, with \$30 million more compared to last year, thanks in part to a \$19 million reduction in additional costs and an \$11 million increase in revenues coming mainly from ancillary revenues.

➤ **Continue working on employee engagement.**

The year of the Corporation's 30th anniversary was an excellent opportunity to strengthen the already very solid sense of belonging among Transat employees. A series of events organized last year, in addition to our usual recognition, health, well-being and volunteering programs, have deepened our employees' connection to the Corporation's life and history. We have also deployed a pilot project that will measure the well-being and commitment at team level, helping us improve on how we react to the needs and comments expressed by our teams.

We have also implemented a new employer-brand platform this year that is aligned with our global-brand platform, which will help make us more attractive to potential candidates and stimulate our current employees' pride of belonging.

2.4 KEY PERFORMANCE DRIVERS

The following key performance drivers are essential to the successful implementation of our strategy and the achievement of our objectives.

ADJUSTED OPERATING INCOME

Obtain an adjusted operating income margin higher than 3% of revenues.

MARKET SHARE

Consolidate or increase market share in all regions in Canada and in Europe in our traditional markets, and establish a leading presence in the all-inclusive hotel business in the Caribbean and Mexico.

REVENUE GROWTH

Grow revenues at the market pace (in other words approximately 3% per year) in our traditional markets, and operate 5,000 rooms in the hotel industry within a seven (7) year horizon.

2.5 ABILITY TO DELIVER ON OUR OBJECTIVES

Our ability to deliver on our objectives is dependent on our financial and non-financial resources, both of which have contributed in the past to the success of our strategies and achievement of our objectives.



Our financial resources are as follows:

CASH

Our balances of cash and cash equivalents not held in trust or otherwise reserved totalled \$593.6 million as at October 31, 2017. Our continued focus on expense reductions and operating income growth should maintain these balances at healthy levels.

CREDIT FACILITIES

We can also draw, notably, on a revolving term loan agreement totalling approximately \$50 million for our operations.

Our non-financial resources include:

BRAND

The Corporation has taken the necessary steps to foster a distinctive brand image and raise its profile, including its sustainable tourism approach.

STRUCTURE

Our vertically integrated structure enables us to ensure better quality control over our products and services and facilitates implementing programs to achieve gains in efficiency.

EMPLOYEES

Our employees work together as a team and are committed to ensuring overall customer satisfaction and contributing to improving the Corporation's effectiveness. Moreover, we believe the Corporation is managed by a seasoned leadership team.

**SUPPLIER
RELATIONSHIPS**

We have exclusive access to certain hotels at sun destinations as well as over 30 years of privileged relationships with many hotels at these destinations and in Europe.

Transat has the resources it needs to meet its 2018 objectives and continue building on its long-term strategies.

2.6 SIGNIFICANT FINANCING TRANSACTIONS

The Corporation has a \$50 million revolving credit facility for a four-year term ending in March 2020, with a one-year extension clause on each anniversary date and an accordion clause allowing it to increase credit up to \$100 million, both subject to lenders' approval. On October 17, 2016, the Corporation, in collaboration with lenders, amended certain financial covenants to better reflect the Corporation's financial profile. As at October 31, 2017, all the financial ratios and tests were met and the credit facility was undrawn.

The Corporation has an annually renewable revolving credit facility for issuing letters of credit for \$75 million, the terms of which provided that the Corporation shall be required to pledge cash totalling 100% of the amount of the letters of credit issued. As at October 31, 2017, an amount of \$54.8 million had been used, including \$50.1 million to secure obligations relating to the executive officer defined-benefit pension agreements.

For the purposes of issuing letters of credit for its British operations, the Corporation has a banking line of credit secured by deposits of £7.8 million (\$13.4 million), which is fully used as at October 31, 2017.

The Corporation has a \$35 million guarantee facility with Export Development Canada expiring on February 28, 2018, and renewable annually. Under this agreement, the Corporation may issue collateral security



contracts with a maximum three (3) year term. As at October 31, 2017, \$26.7 million had been drawn down under these credit facilities for issuing letters of credit to certain suppliers.

The Corporation has various agreements relating to the processing of credit card transactions that are valid until 2018 and 2019, renewable for additional successive one-year terms upon consent of both parties. Credit card transactions processed pursuant to these agreements are subject to the requirement of maintaining certain levels of unrestricted cash at each quarter end, as well as financial ratios similar to those set out in its bank credit agreements. As at October 31, 2017, the Corporation was in compliance with all the financial ratios and criteria provided under these agreements.

3. THREE-YEAR HISTORY

You will find information concerning the business and other key events that have occurred in the three most recent financial years under the heading “Development of the Business” and “Description of our Business”. For more information, we refer you to the section “Core Business, Vision and Strategy” above and to the sections “Business Acquisition” and “Disposal of a Subsidiary” of the Management’s Discussion and Analysis of our 2017 Annual Report available for consultation on SEDAR at sedar.com.

4. DESCRIPTION OF OUR BUSINESS

The data contained in this section are estimates of our competitive positioning and market share and are based on our knowledge of the relevant industry segments. Being a vertically integrated business, we have determined that Transat conducts its activities in a single industry segment, namely the holiday travel segment, and operates in one geographic area, now that our tour operators in France and Greece have been sold. We recorded \$3,005.3 million in revenues from our continuing operations for fiscal 2017, compared to \$2,889.6 million for fiscal 2016.

4.1 TOUR OPERATORS

Transat acts as an outgoing tour operator through its subsidiary Transat Tours Canada Inc. and its brands Transat and Air Transat, as well as through its European subsidiaries, Air Consultants France S.A.S. and The Airline Seat Company Limited. Until October 31, 2016, Transat was also acting as outgoing tour operator in France through Transat France S.A.S. (via its Vacances Transat (France) and Look Voyages divisions) and in Greece through TourGreece.

Trafictours de Mexico S.A. de C.V., Turissimo Caribe Excursiones Dominican Republic, C. por A. and Caribbean Transportation Inc. operate as incoming tour operators in Mexico, Barbados, the Dominican Republic and Jamaica. On October 27, 2017, Transat announced the sale of its Canadian incoming tour operator Jonview Canada Inc. For more information on this transaction, see “Realignment of Hotel Activities” below.

Each of these tour operators operates in its own market by developing and marketing its individual product lines, while benefiting from the considerable purchasing power and other advantages generated by our vertical integration strategy.

4.1.1 Products of Transat Tours Canada Inc.

Transat Tours Canada Inc. (“**Transat Tours**”), which is the core business of our Canadian operations, now operates under two brand names, Transat and Air Transat. It integrates Air Transat’s commercial activities and commercializes and sells its travel products to vacation destinations located in North America, Central America, South America, Europe and Israel. We offer two main types of products to complement Transat Tours’ revenues, namely, travel packages departing from Canada and seats in all of the markets served by Air Transat. Moreover, Transat Tours also



offers more seats from and to various Canadian cities. These products are essentially available through travel agency networks and online.

Transat Tours primarily markets sun destinations according to a package formula. With all-inclusive packages to 36 destinations in Florida, Mexico, the Caribbean, as well as Central and South America, Transat Tours offers the widest array of sunshine vacations, along with more than 650 hotels, 45 of which are offered on an exclusive basis. It also offers a range of home and condo rental alternatives, for example à-la-carte hotels and an increased selection of home and apartment rentals, as well as a variety of excursions.

Transat Tours markets the Solo, Adults, Sun Savvy, Family, Distinction and Luxury collections, with each of them featuring a selection of hotels and advantages perfectly suited to every type of consumer. It also offers Duo packages combining two regions on one trip, and the “Haiti Experience”.

In addition to its hotels, collections, packages, and à-la-carte vacations, Transat offers direct flights to 35 sunshine destinations from 20 Canadian cities. Air Transat offers 143 city pairs, 8 of which are new, such as Santo Domingo (Dominican Republic), leaving from Toronto.

For European destinations during the summer season, Transat Tours also offers short and longer stays (in hotels, studios, apartments, and bed-and-breakfast inns), car rentals (based either on the straight car rental formula or with a buy-back option) and train tickets. In 2017, Transat added a new destination, Tel Aviv (Israel), to its portfolio, also increasing frequency and capacity on many of its European flights. Air Transat thus remains the leisure airline with the most diversified offer on the market, offering direct flights to a total of 27 destinations in Europe and the Middle East. A number of weekly connecting flights between Vancouver and Montreal, Vancouver and Toronto, Vancouver and Calgary, Toronto and Montreal, as well as Quebec City and Montreal will allow for greater access to destinations. Transat has a winter program in Europe offering direct flights to Paris and London, to Malaga (Costa del Sol) in Spain, to Glasgow and Manchester in the United Kingdom, as well as to Lisbon, Faro and Porto in Portugal.

Transat offers the finest cruise itineraries to the Caribbean and to Europe. Since 2016, cruises have been offered exclusively in package form, comprising round-trip flights with Air Transat, transfers and the cruise—a new single-window formula. In 2017, Transat has also partnered with 13 ocean and river cruise lines to offer more than 60 itineraries in the South and Europe, including four exclusive Caribbean sailings from La Romana, Pointe-à-Pitre, Santo Domingo and Havana.

In 2017, Transat refocused its guided-tour product offerings around destinations served by Air Transat, so as to market them as package trips. Transat Tours markets tours in Cuba, Costa Rica, Nicaragua and Panama. In Europe, Transat Tours offers a wide array of guided tours along with adapted-format vacations such as combined tours and independent travellers. Transat Tours is also the exclusive supplier of Trafalgar’s tours with French-speaking guides in Canada.

4.1.2 Products of The Airline Seat Company Limited

The Airline Seat Company Limited, which sells under the Canadian Affair brand, has been wholly owned by Transat since August 1, 2006. The UK-based entity also manages the development of Air Transat in the UK and Ireland.

Canadian Affair is the UK’s largest single destination tour operator to Canada and its business is focused around Air Transat’s flight schedule and offers tailor-made holidays to Canada, directly to the consumer. Canadian Affair is focusing its business on tour operating, selling holidays to Canada packaged with an Air Transat flight, either via a dedicated call centre or online via canadianaffair.com. Working closely with its suppliers and incoming tour operator Jonview Canada (which entity was sold on November 30, 2017), its product offering continues to develop to bring more packaged tours into its product range allowing customers to select their holiday to Canada with ease. In 2015, Canadian Affair was awarded Best Tour Operator to Canada at the British Travel Awards.



For the Air Transat brand, there is a dedicated sales team to drive B2B e-commerce sales and a marketing team to drive B2C e-commerce sales, ensuring messages are relevant, timely and on point for the local market, whilst at all times working closely with Transat to ensure brand consistency. The airline's websites airtransat.co.uk and airtransat.ie have been promoted with greater prominence in the UK and Ireland, as UK and Irish consumers are very accustomed at checking airline websites, where they believe they will find the most competitive prices. Direct online sales continue to grow in the UK each year, accounting for circa 70% of total UK flight sales.

The Air Transat UK and Ireland, Spain, Portugal, Italy and Greece B2C call centre is also run and managed in the UK. The UK call centre was migrated to the Transat telephony system in September 2015, allowing calls to be answered by agents in either Montreal or London based upon the time of day.

The Air Transat UK electronic retail sales have delivered 75% B2C e-commerce (Air Transat 50% and Canadian Affair 25%) and 25% B2B e-commerce. Transat has developed strong partnerships within the tourism industry (group tour operators, independent agents, online travel agencies (OTAs) and chains) in the UK and its strategic plan is to maintain a healthy balance between the sales related to B2C e-commerce and the ones related to B2B e-commerce.

4.1.3 Air Consultants France S.A.S.

Air Consultants France S.A.S. ("**ACF**") was created on March 4, 2016, to provide continuity of Air Transat's commercial representation in France following the October 2016 sale of the Transat France subsidiary to TUI AG. In that regard, ACF sees to the commercial representation of Air Transat for flights departing from France, but also departing from Belgium, the Netherlands and Switzerland on the French, Belgian, Swiss, Dutch and German markets.

ACF is primarily made up of three teams: the commercial team, customer service team and marketing and communications team. The commercial team is responsible for developing sales through the intermediary of travel agencies, OTAs ("**Online Travel Agents**"), tour operators and group travel specialists. The customer service team provides support to the travel agents and tour operators (tariff-setting, emissions) and also sees exclusively to the sale of Air Transat plane tickets. For its part, the marketing, electronic commerce and communications team is responsible for internal and external communications, electronic trade and managing Air Transat's websites in France, the Netherlands, Belgium, Germany and Switzerland. This team also manages the commercial and digital marketing budgets allocated by the Corporation. Moreover, for markets outside of France, ACF has, with the support of Aviareps, a general sales agent, and three individuals from its personnel are entirely devoted to Air Transat. Two of these individuals are commercial officers and see to the development of business sales, one of whom is established in Amsterdam and the other in Brussels. The third person is also established in Amsterdam and manages marketing and electronic trade. All of these people are under the operational responsibility of the president of ACF.

4.1.4 Products of Jonview Canada Inc.

After the 19.9% interest of the other shareholder (the Fonds de Solidarité FTQ) was bought back in December 2016, Transat wholly owned the incoming tour operator Jonview Canada Inc. ("**Jonview Canada**"). The Fonds de Solidarité FTQ, which was also a shareholder of the Corporation, required that the Corporation redeem the shares it holds in Jonview Canada at a price equal to their fair market value. That amount was paid in cash. The fair market value of the shares corresponded to the book value of the non-controlling interest. However, on October 27, 2017, Transat announced the sale of this tour operator. For more information on this subject, please see section 4.1.6 of this Annual Information Form entitled "Realignment of Hotel Activities".

Jonview Canada, which develops packages and resells individual travel products across Canada under the brand names Jonview Canada and Canadian Adventures, is the leading incoming tour operator in Canada, with offices in Montreal and Toronto. Through its representatives, Jonview Canada also has sales offices in France and the UK.



Jonview Canada offers a full range of Canadian travel products and services to tour operators in Europe, particularly in France, the UK, Germany, Italy, Spain, Switzerland, the Netherlands and Belgium and also caters to clientele in Latin America, Asia Pacific and India. Its range of products includes guided bus tours, group travel packages, programs for individual travellers with a predetermined itinerary and accommodations reserved for each leg of the trip, city and urban activity packages, ski vacations, hotel accommodations, local transfers and soft adventure tourism. Jonview Canada also offers products, such as snowmobile tours and multi-activity winter programs, as well as its "Explorer Collection" and the "Jonview Canada Ultimate To Do List" program, which offer a range of unique and luxury hotels, lodges, resorts and experiences across Canada, designed to increase the aspirations of international travellers.

Jonview Canada brought 300,000 travellers to Canada in fiscal 2017.

4.1.5 Products of Trafictours Canada Inc.

Transat is carrying on its activities as incoming tour operator activities in Mexico, Dominican Republic and Barbados through an agreement with Gesmex Corporation pursuant to which Transat owns 70% of the shares of Trafictours Canada, ensuring a better quality of service and providing more efficient operational and financial controls. The minority shareholder of the Trafictours Canada subsidiary could require Transat to purchase the Trafictours Canada shares it holds at a price equal to a predetermined formula, which can be adjusted according to the circumstances, and payable in cash.

4.1.6 Realignment of Hotel Activities

Over the past few years, Transat has realigned its activities around three strategic sectors: aviation, distribution and the hotel industry. Developing the hotel sector is therefore one of Transat's main objectives. The sale of Transat France and TourGreece in 2016, as well as the assignment of its subsidiary Jonview Canada and its minority interest in the Ocean hotels in 2017, were part of the Corporation's new development strategy. This realignment allows Transat to better concentrate its efforts on becoming a full-fledged hotel operator while remaining a top-rate leisure travel provider.

4.1.6.1 Transat France, TourGreece and Air Consultants Europe

On October 31, 2016, Transat completed the sale of its interest in Transat France and TourGreece to the multinational tourism company TUI AG. Transat France was offering products under the Vacances Transat and Look Voyages brands. According to Transat, this transaction had no impact on Transat Tours' transatlantic program or on Air Transat's operations and growth, both of which are present in France. Transat maintains its growth objectives as a leisure carrier between Europe and Canada. The transaction is in alignment with the Corporation's 2015-2017 strategic plan, which emphasized profitable growth in the Americas, through the development of its tour operating, distribution and hotel businesses.

Following the transaction, Transat continues to operate a sales entity in France, namely ACF (Air Consultants France), whose objective is to sell Air Transat seats through the Global Distribution System (GDS) and to make arrangements with other distributors, such as tour operators, travel agencies and online travel agencies (OTA). Under the purchase agreement entered into by TUI AG and Transat, Transat has agreed to not act as a tour operator for a period of two years, namely until 2018.

At the end of calendar year 2016, Transat transferred the activities of Air Consultants Europe (ACE) to a general sales agent, Aviareps, so that the latter could market Air Transat's products in the Netherlands, Belgium, Switzerland and Germany. Aviareps has been marketing Air Transat's products in the Netherlands, Belgium, Switzerland and Germany since January 1, 2017.



4.1.6.2 Ocean Hotels

On October 4, 2017, Transat completed the sale of its 35% minority interest in the Ocean hotels to H10 Hotels, which already held 65% of the joint venture that was created in 2007. This corporation owns and operates three hotels (two in Cancun and one in Punta Cana) and manages four other hotels in Cuba, for a total of 3200 rooms. This transaction is in alignment with the 2018-2022 strategic plan, which emphasizes Transat's commitment to developing a hotel business. The experience acquired over the last ten years and the proceeds of this sale will allow Transat to accelerate the development of its own hotel chain in the south.

4.1.6.3 Jonview Canada

On October 27, 2017, Transat announced the sale of its wholly owned subsidiary, Jonview Canada, to the Japanese multinational H.I.S. Co. Ltd., a corporation specialized in travel distribution. The sale of the Canadian incoming tour operator Jonview is part of the activity realignment objectives of Transat. The transaction is in alignment with the 2018-2022 strategic plan, which emphasizes Transat's commitment to become a fully-pledge hotel operator.

4.1.6.4 Rancho Banderas

On April 3, 2017, Transat purchased a 50% interest in Hotel Rancho Banderas, located in Punta de Mita in Mexico, from a third party. Transat will, through one of its wholly owned subsidiaries, be a co-shareholder with a subsidiary of Gesmex Inc., a partner of Trafictours Canada Inc. The hotel currently consists of 48 rooms, and will be expanded to approximately 286 rooms by 2018. In the context of this transaction, Transat and Gesmex, and their respective subsidiaries, have entered into a shareholder agreement providing for a call option in the event a change of control occurs within the first 18 months following the execution of the agreement.

4.2 TRAVEL AGENCIES AND DISTRIBUTION

In the Canadian market, we distribute our products in part through our own network of wholly owned, franchised or affiliated retailers. We are the largest retail distributor of holiday travel products in Canada, with 445 outlets, of which 60 are wholly owned, 220 are franchised and 165 are affiliated and do business under the Club Voyages, Marlin Travel/Voyages Marlin, Voyages en Liberté, Transat Travel/Voyages Transat and TravelPlus banners or affiliation programs.

In June 2013, we launched a new travel agency concept under the Transat Travel banner. To date, 50 of our wholly owned agencies carry out their activities under this name. The Corporation also intends to operate the Transat Travel banner as a franchise in the near future.

We have also developed and implemented an external agent program that extends the scope of our wholly owned agencies under the Voyages Transat/Transat Travel banner.

We operate our travel agency networks in Canada as one business unit by taking advantage of a common administrative system for all of our corporate-owned agencies across the country, and by combining our purchasing power.

4.3 AIR TRANSPORTATION

4.3.1 Transat's fleet strategy

Transat constantly stays abreast of the latest trends that will allow it to serve its two leisure markets (namely sun destinations with departures from Canada and the transatlantic market with departures from Canada and Europe) by offering the best prices and best aircraft available. To that end, Air Transat, Transat's airline company, relies on a



mixed fleet of wide- and narrow-body aircraft. Air Transat recently entered into a twelve (12) year agreement with AerCap contemplating the leasing of ten (10) Airbus A321neo LR, the delivery of which will be staggered between the spring of 2019 and the fall of 2020. The Airbus 321neo LR is the latest long-range version (LR) of Airbus A321neo (New Engine Option) in the single-aisle jetliner segment. The progressive introduction of the Airbus A321neo LR aircraft will allow Air Transat to continue gradually removing all Airbus A310s from its current fleet.

As at November 3, 2017, Air Transat's core fleet is composed of thirty-one (31) aircraft, namely twenty-four (24) long-haul wide-body aircraft, and seven (7) narrow-body aircraft, as detailed below:

AIRCRAFT	NUMBER			COMMENTS
	WINTER 2017	SUMMER 2017	OCTOBER 31, 2017	
A330	14	17	17	Addition of an 18 th aircraft scheduled for December 2017.
A310	9	9	7	Removal of an aircraft scheduled for January 2018, the other A310s will be progressively removed.
B737	7	7	7	Removal of two aircraft scheduled for late February 2018.
PROJECTED AIRCRAFT				
A321neo LR	-	-	-	Delivery of ten (10) aircraft scheduled for 2019 and 2020.

In the summer of 2017, Air Transat took delivery of three additional Airbus A330-200s, increasing its fleet of A330s from fourteen to seventeen (14 to 17) aircraft. By the end of the fiscal year, Air Transat also removed one A310 from its fleet. The B737-800 fleet, for its part, remains unchanged.

Air Transat owns six (6) Airbus 310-300s, and all other aircraft are leased under operating leases entered into with aircraft lessors.

The replacement of the Airbus A310 by Airbus A321neo LR remains part of the Transat plan, announced in April 2013, to deploy a so-called "flexible fleet" that enables it to adjust the number of narrow- and wide-body jets at its disposal according to seasonal tourism market needs. In short, Transat has greater need for narrow-body aircraft in winter, when Canadian leisure travellers favour sun destinations, and greater need for wide-body jets in summer, when the transatlantic market is busiest. The addition of A321neo LR aircraft will optimize the flexible fleet while continuing to cover Transat's network efficiently and economically. The A321neo LR will also be able to fly to sun destinations such as Mexico, the Caribbean and Florida. The A321neo LR, however, can also be deployed for transatlantic connections. Indeed, the A321neo LR can travel 4,000 nautical miles (7,400 km), the longest range of all single-aisle aircraft. The size of the A321neo LR, which can carry 199 passengers with an option to travel Club (12 seats) or Economy (187 seats), will give Transat greater flexibility in terms of the commercialization and frequency of flights, whereas the aircraft's low fuel consumption will keep the cost per seat low while reducing the air carrier's carbon footprint.

Air Transat's wide-body aircraft, for their part, will continue to be deployed mainly on the transatlantic market. In that regard, note that in the summer of 2017, Air Transat successfully negotiated advantageous conditions with three (3) of its aircraft lessors for the renewal of agreements to lease eleven (11) Airbus A330s, which will continue to be



operated by Air Transat until dates that will be staggered between 2021 and 2026, depending on the aircraft at issue. These renewals will contribute to the achievement of cost-reduction goals.

In addition to relying on Air Transat's core fleet of aircraft, Transat has given itself the means to increase its number of narrow-body aircraft in the wintertime. In the context of its strategy to deploy a flexible fleet, Transat has been benefitting from stable but flexible agreements since 2014 with several European airlines companies (including Transavia France, the French air carrier specialized in the pleasure travel products of Air France/KLM Group, ASL Airlines France and the Czech company Travel Service) contemplating the seasonal leasing of Boeing 737s, in order to complete the core fleet of Air Transat's B737-800 aircraft during winter. These seasonal leasing agreements, which will remain in force until the end of the winter of 2019, have allowed Air Transat to operate 20 narrow-body aircraft (including 13 B737 seasonal aircraft, 6 B737-800s leased from Transavia France, 3 B737-700s leased from ASL Airlines France and 4 B737-700s leased from Travel Service) and 12 wide-body aircraft (Airbus A310s and A330s) in the winter of 2017. In comparison, Air Transat has operated 7 narrow-body aircraft and 25 wide-body aircraft that were all part of its core fleet in the summer of 2017. The agreement with Travel Service also provides for the leasing of Air Transat's A330-200 aircraft to Travel Service for the winter seasons of 2017, 2018 and 2019, since Air Transat needs less wide-body aircraft that time of year. Moreover, Air Transat constantly searches for opportunities to sublease some of its A330s to other airline carriers that might need them in the wintertime, and this with or without crews. Consequently, besides the A330-200 that it subleased to Travel Service in the context of a long-term agreement it has with that partner, Air Transat has also leased one A330-200, with crew, to the German carrier Condor Flugdienst GmbH, an affiliate of Thomas Cook Group Airlines.

Moreover, in October, Transat also announced it had entered into an agreement with Thomas Cook Group Airlines (hereinafter "**Thomas Cook**") pursuant to which Air Transat and Thomas Cook would exchange at least one (1) wide-body Airbus A330-200 and several Airbus A321s each winter for the next seven (7) years. More specifically, Air Transat will loan to Thomas Cook at least one (1) A330-200 aircraft, and Air Transat would borrow from four to thirteen (4 to 13) A321s depending on its needs. These loans would be carried out without crew and on a "bare-hull" basis. That agreement may be renewed for two additional consecutive winters, and takes advantage of the two airline carriers' seasonal complementarity: in the winter, Air Transat deploys more narrow-body aircraft, whereas Thomas Cook deploys wide-body aircraft during that same period. The agreement helps improve Transat's flexible fleet model and makes it even more efficient. The A321s from the Thomas Cook fleet will all be recent aircraft. Transat customers will therefore enjoy a more harmonized experience, regardless of their destination. In the end, with the 2019 and 2020 introduction of the A321neo LR and the replacement of the seasonal B737s by aircraft from the A320 family scheduled for the spring of 2019, Air Transat's fleet will be exclusively made up of Airbus-type jets.

A key element of Transat's now fully implemented "flexible fleet" strategy is the dual qualification of its pilots. At this time, several pilots are qualified to operate either A310/B737 or A330/B737 aircraft. This initiative deployed since 2014 with the introduction into its fleet of its first B737-800 aircraft, has become an integral part of its seasonal operations. Thus, dual-qualified pilots can switch from operating either A310s or A330s during the summer months, to operating B737s during the winter months, and then switch back to operating wide-body type jets the following summer. This operating mode, which is unique to Air Transat, complies with regulatory requirements for training, while responding to commercial needs. It benefits Transat by creating permanent jobs and improving competitiveness by considerably reducing the costs per seat/hour. With the introduction of the A321neo LR starting in 2019 and the agreement entered into with Thomas Cook, Air Transat focuses on two types of aircraft only: A330s and A321s. Its pilots will therefore gradually be trained for aircraft from the A320 family, and Thomas Cook will help us train the first group of pilots. Ultimately, Air Transat will benefit from Airbus's cockpit commonality concept, allowing it to operate a mixed fleet ("mixed-fleet flying", or the possibility for one pilot to be qualified for different aircraft simultaneously). This will allow Air Transat to reduce its maintenance and training costs, among others, and to considerably simplify its operations.

All of these initiatives are part of our efforts to optimize capacity by scheduling flights more efficiently and increasing additional income sources. These efforts are accompanied by a diversification of the flights offered and an increase in flight frequency, both on the transatlantic market and on the sun destinations.

In fiscal year 2017, our Air Transat airline offered flights out of its principal bases in Montreal, Toronto and Vancouver, as well as some flights out of smaller Canadian cities. Air Transat holds licences issued by the Canadian Transportation Agency to operate regular flights between Canada and the following countries: the European Union (representing its 28 member states), Switzerland, the United States, Cuba, Jamaica, the Bahamas, Mexico, Panama, Costa Rica, Barbados, Nicaragua, Colombia, Antigua and Barbuda, St. Lucia, El Salvador, the Netherlands Antilles, the French West Indies, the Dominican Republic, Israel and Haiti.

During the 2017 winter season, we served 35 sun destinations in 15 countries, compared to 33 sun destinations in the winter of 2016. Transat has effectively added the cities of San Salvador, El Salvador and Santo Domingo in the Dominican Republic to its portfolio of sun destinations, which it continues to expand by adding new routes.

In the summer, we shift most of our capacity to the transatlantic market, while maintaining some flights to sun destinations. This summer, Transat introduced a new destination in the Middle East by offering direct flights between Canada and Tel Aviv and serving 27 European destinations in 13 countries. Tel Aviv, in Israel, is the latest addition to the list of cities served by Air Transat, following the addition of Zagreb, in Croatia, in the summer of 2016. In addition to its offering of direct flights, Air Transat enhanced its connecting flight program to make even more destinations accessible from various Canadian cities. Transat also keeps offering so-called open-jaw options, which allow customers to land in one European city and take off from another. Going forward, Air Transat will continue expanding its transatlantic program by enhancing its flight program, notably through increasing the frequency of direct flights, adding connecting flights and inaugurating new city pairs, all with a view to offering travellers even more choices and flexibility.

We are also continuing our efforts to optimize capacity through more efficient flight scheduling and increased ancillary revenues. We served approximately 4,500,000 passengers on Air Transat in fiscal 2017 compared to 4,300,000 passengers in fiscal 2016.

4.3.2 Maintenance, Inspections, Safety and Other Measures

Air Transat remains committed to continuous improvement of processes involving all aspects of its airline operations, the result of which is to offer quality service while optimizing resources with safety as the top priority. Over the last years, we have implemented a series of measures based on principles of safety and prevention that we completely support. These measures include, amongst others, a Safety Management System, which is a comprehensive program involving training, reporting of safety-related information from all areas of the Corporation as well as extensive auditing and data analysis. Air Transat's President and General Manager was appointed Chief Safety Officer ("CSO") responsible for the Air Transat Safety Management System, while the Senior Director, Safety, Quality and Security is responsible for the administration and day-to-day supervision of the Safety Management System on behalf of the CSO.

Air Transat was the first airline in the world to renew its IOSA certification (IATA Operational Safety Audit) under the new Enhanced IOSA methodology. Air Transat first obtained its initial certification under IATA's IOSA program on February 20, 2008. In 2011, IATA added new elements to the certification and introduced the Enhanced IOSA program, which involves ongoing internal assessment processes, to provide enhanced value and continuity of the audit process. At the request of IATA, Air Transat participated in the development of the new program, which became mandatory for IATA member companies in 2015. The IOSA certification obtained under the Enhanced IOSA methodology, which Air Transat obtained in 2013 and successfully renewed in 2015 and 2017, is the greatest recognition to date of the quality of our internal processes and is reflective of our commitment to ensure the safety of our operations.



On the customer experience front, all Airbus 330 aircraft including the three last A330-200s that joined Air Transat's fleet in the summer have been retrofitted with new seats, lavatories, mood-lighting and in-seat in-flight entertainment system, thus harmonizing and improving the customers' travel experience. Air Transat's A-330-200 aircraft have 345 seats, with the exception of five aircraft that were added to the fleet in 2016 and 2017, which have a 332-seat configuration. Three of Air Transat's four A330-300s were densified to 375 seats, while the fourth aircraft has 346 seats. These jets are deployed on the high-frequency city pairs that Air Transat operates between Montreal and Paris and between Toronto and Gatwick, and resulted in the improvement of profit margins for these city pairs. As for the eight A310s operated by Air Transat as at October 31, 2017, they are configured at 249 seats and are equipped with mood lighting throughout the entire cabin, and refurbished seat covers and lavatories in Economy class. All wide-body aircraft in Air Transat's fleet include 12 seats in Club class. As for the B737-800 aircraft that are part of Air Transat's core fleet, they have 189 seats and are also equipped with new seats.

We perform regular maintenance work and inspections on all aircraft of our fleet. Our aircraft maintenance procedures meet and in some instances exceed Transport Canada's requirements. We also carry an inventory of spare parts for our Airbus A330 and A310 and our Boeing B737 aircraft.

4.3.3 Fuel Supply

Fuel costs represent a major component of our airline's operating expenses. The increase and constant fluctuations in the cost of fuel are a major concern for Transat given our industry's small margin. Our policy in this regard provides for the conclusion of derivatives to cover a portion of our fuel requirements. As at October 31, 2017, derivative instruments for the purchase of fuel covered 31% of the estimated fuel requirements for fiscal 2018, compared to 48% for fiscal 2017 and 36% for fiscal 2016.

4.4 OUR EMPLOYEES

As at October 31, 2017, Transat and its subsidiaries had a total of 5,055 active employees and the average number of employees for fiscal 2017 was approximately 5,073.

For a detailed description of our share-based compensation plans and other long-term incentive plans, we refer you to our Management Proxy Circular relating to the annual and special meeting of shareholders that will be held on March 15, 2018 (or in the latest version of our Management Proxy Circular, where applicable), which is available for consultation on SEDAR at sedar.com. As our policy is to promote good relations with our employees, we have adopted a policy to prevent harassment in the workplace as well as a policy regarding the protection of personal information and the right to privacy.

Some of our employees belong to employee associations with which we have negotiated certain working conditions. The following chart sets out the associations to which our employees belong and the status of their collective agreements as at the date of this AIF. During fiscal 2017, we ratified new collective agreements with the maintenance employees and crew scheduling employees. Negotiations are in progress for renewal of the collective agreements for the flight dispatchers.



EMPLOYEES	TRANSAT'S SUBSIDIARY	ASSOCIATION	STATUS OF COLLECTIVE AGREEMENT
Flight crew members (pilots)	Air Transat	Airline Pilots Association (ALPA)	Collective agreement in effect from May 1, 2015, to April 30, 2020
Flight attendants	Air Transat	Canadian Union of Public Employees (CUPE)	Collective agreement in effect from November 1, 2015, to October 31, 2021
Flight Dispatchers	Air Transat	Canadian Airline Dispatcher's Association (CALDA)	Collective agreement expired October 31, 2015
Crew scheduling and passenger service	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW)	Collective agreement in effect from August 1, 2015, to July 31, 2021
Maintenance, stores and technical support	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW), Lodge 140	Collective agreement in effect from May 1, 2016, to April 30, 2022
Call centre	Air Transat	Teamsters, Local 1999	Collective agreement in effect from October 31, 2015, to April 27, 2021

4.5 COMPETITION

We face competition on many fronts, doing business as either a tour operator, travel agency (traditional or online), air carrier and, in the near future, the hotel industry.

Competition is fierce in all markets (Caribbean-Mexico and transatlantic) and results not only from traditional tour operators and air carriers specializing in leisure/holiday travel, but also from low-cost network airlines and carriers that have transformed their cost-base and created new leisure/low-cost airline subsidiaries, from online travel agencies (OTAs) and from hotel operators who are selling directly to consumers. Other players, including sharing-economy sites and specialized mobile apps, are now present on the packaged-travel and air-only markets. The two basic trends in tourism, strong growth of online direct sales and disintermediation of transactions, now place the customer at the centre of the purchasing process thereby allowing the customer to deal directly with suppliers (hotel operators, carriers, incoming tour operators), travel agents and OTAs, even through social media. Competition is therefore present at all levels. In order to succeed, it is crucial to control costs and act like a producer in both the airline and hotel industries so as to maintain a presence in all of the different distribution channels.

4.5.1 Tour Operators

Tour operators specialized in outgoing services, purchase the various components of a trip and sell them to customers through various distribution channels, either as a travel package or separately. The large outgoing tour operators purchase blocks of seats or complete flights mainly from air carriers specializing in charter services and undertake to pay for all the seats so purchased whether they sell them or not, thereby obtaining a better price. Such tour operators also negotiate with hotels for the rental of blocks of rooms and make arrangements in order to offer travel packages at lower prices than if customers were to make their own reservations.



Certain tour operators round out the range of services offered to travel agencies with the FIT formula (Foreign Independent Tour), namely the sale of seats along with lodging and car rentals. OTAs are particularly active in the FIT business segment, thus becoming both an additional distribution channel and competitors for tour operators. The FIT market is growing at a rapid pace and the tour operators will put greater emphasis on that market segment.

4.5.1.1 On the Canadian Market

Canadian vacationers travel mainly to two regions, either sun destinations or Europe. Vacationers opting for sun destinations prefer the comfort of packages, whereas those travelling to transatlantic destinations are more inclined to search for aircraft seats, hotel rooms by the night, as well as car rental and hotel bed-night booking services. Canadian outgoing tour operators finalize agreements with suppliers six to eight months prior to the beginning of each season. The summer season runs from May 1 to October 31 and the products offered are prepared in the preceding fall. The winter season runs from November 1 to April 30 and the products offered are prepared in the preceding spring. As part of these preparations, tour operators undertake negotiations with air carriers, hotels, cruise ship operators, and car rental agencies. When such negotiations are completed, brochures and websites illustrating the various destinations and describing the various packages and services offered are either prepared and distributed to travel agencies before the beginning of each season (with sales presentations to travel agents in the main cities of the markets covered) or sold directly to consumers via direct online booking.

Operating its Transat and Air Transat brands, Transat Tours Canada is a major Canadian tour operator, but competes with other tour operators for sun destinations. The Corporation and its three major competitors, Air Canada, WestJet and Sunwing have comparable market shares.

Geographical diversification involves departure points and destinations, the purpose being to offer products that best meet customers' expectations in each new market, preferably exclusively. We continue to devote major efforts to the expansion of our range of products, accounting for market trends, with the objective of offering a product line that differentiates us from the competition.

4.5.1.2 On the UK Travel Market

The UK travel market has been dominated for many years by competition based on price and the market is quite mature in its use of direct online booking. Customers will decide their holiday destination by focusing mainly on the price of their flight, regularly using flight comparison websites, regardless of the short-haul or medium-haul destination that interests them, since access to airline services from the United Kingdom is not a restrictive factor. This is now also the case for long-haul destinations, which are served by an ever-growing number of carriers and price competitiveness has been increasing in the last few years.

Canadian Affair as a tour operator is well established in the UK, and as the UK's largest tour operator to Canada, sells holidays, including flights, to Canada on a direct consumer basis via its call centre and website canadianaffair.com.

Mainstream tour operator competitors all have a brochure and activities with a Canadian focus. They target the sale of packaged holidays and tours to Canada, and many have seat allocations on our flights. Travel agent competition focuses less on sales to Canada with the majority of their sales being to traditional sun destinations in Europe.

Airline competition has increased significantly in the past two years, adding almost 300,000 seats to the UK-Canada market in 2016. Certain competitors have been very aggressive with their pricing strategies and their discounted sales offensive has been more frequent than before.



4.5.2 Travel Agencies and Distribution

Travel agencies are an intermediary between the tour operator and the customer. Travel agents meet with, advise and sell products to the customer. In general, tour operators and other suppliers remunerate travel agencies by way of a commission. Travel agencies sell travel packages and plane tickets offered by tour operators, plane tickets sold directly by airline carriers and other travel products and services such as cruises. Travel agencies operate independently, as part of large corporate groups, as franchisees or within associations or affiliations.

As a result of technological advances, online travel agencies now offer a large range of travel products by way of transactional websites. In both the Americas and Europe, online travel sales are principally made up of airline tickets, with air travel and hotel being included in only a limited proportion of packages.

According to industry sources, we estimate that there are approximately 5,000 travel agencies, both in Canada and in the UK. We believe that competition between travel agencies is principally based on price and the level of quality of the service. As is the case with tour operators, low profit margins cause travel agencies to seek higher volumes and larger market shares. One of our priorities with regard to integration is to extend our distribution network in our three principal geographic markets: Canadian, transatlantic and sun destinations.

Retail chains represent one third of all travel agents in Canada. The major chains are Transat Distribution Canada operating under the Transat Travel/Voyages Transat, Club Voyages, Voyages en Liberté, Marlin Travel/Voyages Marlin and TravelPlus banners or affiliated programs (which make up our network of travel agencies), Carlson Wagonlit Travel, CAA, Flight Center, Maritime Travel, Uniglobe and Les experts en voyages operated by Travelbrands Inc.

Retail chains, operating under a common banner, provide a range of services to their members, in the form of centralized negotiated commission levels with major tour operators, as well as training, marketing and information services support. Consortiums of travel agents constitute the second third of Canadian travel agents. They offer centralized negotiated commissions with tour operators. Finally, the last third is made up of independent travel agents. Vertical integration between travel agent networks and tour operators has been taking place in Canada, as is the case in Europe.

Air Consultants France (ACF) is a travel agency that sells Air Transat's airline tickets in France while continuing to act as a distribution channel for other airlines.

4.5.3 Air Carriers

Competition between air carriers is based largely on price, as well as on flight schedules (convenience), choice of city pairs (availability of direct flights) and service (comfort, classes, family friendliness). Regarding holiday travel, the ability of operators to bundle land portions (car rental, guided tours, accommodations) along with the flight can also influence their decisions and buying patterns. Prices depend in part on the laws of supply and demand, thus if the capacity offered in the marketplace by all operators exceeds the demand, it will exert downward pressure on prices. Prices also vary significantly in accordance with seasonal variations in market conditions.

The air transportation industry is composed of four major segments: (i) network or full-service carriers which primarily operate scheduled flights at major hubs and rely mostly on the business travel segment and which, in certain cases, undertake aggressive leisure/holiday travel market share growth strategies through the establishment of low-cost subsidiaries; (ii) low-cost carriers operating short to medium-haul segments on a high-frequency, no frills basis and serving the price-sensitive business and holiday markets and most recently long-haul segments; (iii) leisure carriers, such as our own airline Air Transat, serving almost exclusively the holiday travel market through a combination of scheduled and charter air services; and (iv) regional airlines serving local short-haul markets and providing feed traffic to network carriers at major hubs.



Network carriers market and distribute their services to the public through in-house reservations departments, global distribution systems and the Internet. Low-cost carriers sell the vast majority of their seats on the Internet. Leisure carriers charter most of their capacity to tour operators and wholesalers who, in turn, consolidate flight services into packages and sell to the public primarily via the travel agency distribution network. The tour operators negotiate bulk hotel room rates and make other arrangements to render the price of a vacation package sold to the customer more attractive than if the same consumer had attempted to make his own reservations.

Network carriers expand their destination offerings through marketing tools such as code sharing and may be part of several large global carrier alliances, which have been formed over the last decade in this regard. Leisure and low-cost carriers generally do not offer connecting flights, but instead offer principally direct point-to-point services for the origin-destination traffic segment.

We believe that network carriers, low-cost carriers and leisure carriers increasingly compete in the holiday and the so-called “visiting friends and relatives” travel markets. This is particularly true following certain policy changes enabling air carriers specializing in charter services to operate scheduled flights between certain destinations, as is the case with Air Transat, which is licensed to offer scheduled services between Canada and the countries listed in Section 4.3.1, as illustrated on the second and third pages of this AIF. Another trend that should be noted is the emergence of flexible or seasonal fleet strategies among leisure travel air carriers that leverage the counter-seasonal realities of the North American and European travel.

Transat's competitors include Air Canada/Rouge, KLM, Air France, WestJet and British Airways, Air Canada/Rouge deploying the most capacity.

4.6 INTELLECTUAL PROPERTY

We believe that our intellectual property is very important to our success. The following is a list of our principal registered and unregistered trademarks and designs that are used in association with travel-related services rendered by our business units: the star design, luggage tag, Air Transat and the mosaic design featured on some of its aircraft, Canadian Affair, Club Voyages, Exitnow.ca, Jonview Canada, Trafictours, Transat, Transat Holidays USA, Turissimo, Transat Holidays/Vacances Transat, Voyages en Liberté, Marlin Travel/Voyages Marlin and Transat Travel/Voyages Transat, as well as other trademarks, trade names, designs and domain names associated to the aforementioned trademarks.

In 2016, Transat completed a major step in the implementation of an integrated distribution and brand strategy by eliminating the Nolitours and Tours Mont-Royal brands and focusing all of its offering under the brands Transat and Air Transat.

Some of these trademarks, such as Air Transat, Transat, Transat Holidays/Vacances Transat, Transat Holidays USA, Club Voyages, Transat Travel/Voyages Transat, TravelPlus and Marlin Travel/Voyages Marlin, share the star design and the mosaic design featured on some of Air Transat's aircraft. The creation of a unique, strong and visible corporate identity across our main business units facilitates the recognition of our various companies and divisions for both our customers and employees. It also maximizes customer awareness on both the B2C and B2B markets, while fully leveraging the contribution of all of our business units and creating value.

Following the October 31, 2016 sale of Transat France S.A.S., the purchaser has the right to use the Vacances Transat trademark and ancillary trademarks until April 30, 2018.

We also take great care not to infringe on the intellectual property and trademarks belonging to others.



4.7 TRENDS

A certain number of trends have marked the leisure travel industry in Canada and throughout the world over the last few years. First, tourism has undergone a disintermediation, with producers acquiring an increasingly greater capacity to offer their products directly to consumers without going through a travel agency or tour operator, thus giving the advantage to producers (hotel businesses, airlines). On the other hand, airline capacity has risen sharply, both for the sun destination and transatlantic markets, exacerbating competition over price. Hotel capacity in sun destinations has not progressed at the same pace, giving hotel businesses more leverage in their negotiations with package producers (airlines and tour operators) than ever before.

These trends have prompted Transat to reinforce its digital strategy in order to place itself on an equal footing in the distribution market, improving its efficiency and its costs in order to offer competitively priced products; preparing to invest in the hotel industry to enhance its currently favourable position in tourism chain operations.

4.8 THE REGULATORY ENVIRONMENT IN WHICH WE OPERATE

As a vertically integrated company, we are involved on all levels of operation specific to holiday travel. Hence, we conduct business in a highly regulated environment at all levels, from tour operators and travel agencies to air carriers. All of our companies and divisions hold all licences, certificates and permits necessary for their operations and are in compliance with the requirements of applicable legislation. You will find below a description of the laws and regulations to which we are subject.

4.8.1 Tour Operators and Travel Agencies

4.8.1.1 Canada

In Québec, Ontario and British Columbia, where our operations are centered, tour operators and travel agencies (collectively referred to in this subsection as “**Travel Agents**”) are governed by specific legislation providing protection to the travel customer. The *Office de la protection du consommateur*, the Travel Industry Council of Ontario and Consumer Protection B.C. are the authorities designated in Québec, Ontario and British Columbia, respectively, to carry out the control and inspection mechanisms provided for in the legislation and to ensure compliance therewith. In all three provinces, Travel Agents must hold licences to carry on their business and must deposit into a trust account monies received from customers for travel services purchased. The law restricts the use of these funds. All three provinces have established compensation funds in favour of consumers to protect them against fraud and bankruptcies of Travel Agents and end suppliers, such as airlines or cruise lines.

Key aspects addressed by applicable legislation in all three provinces include compensation funds and advertised price for travel services.

4.8.1.1.1 Compensation Funds

Québec is the only province where the Compensation Fund is made up of customers' contributions. On April 1, 2012, the rate of contribution to the Compensation Fund was reduced from 0.35% to 0.20% of the total cost of the travel services purchased. On April 1, 2014, the rate of contribution to the Compensation Fund was reduced from 0.20% to 0.10% of the total cost of travel services purchased. Customers are able to claim directly from the Compensation Fund in the event of an end supplier failure that is not attributable to the Travel Agent. The total compensation per event may not exceed 20% of the surplus accumulated in the Fund as at March 31 of the previous year nor be less than \$5.0 million. In May 2017, the Québec government tabled Bill 134, entitled “*an Act mainly to modernize rules relating to consumer credit and to regulation debt settlement service contracts, high-cost credit contracts and loyalty programs*”. By means of this bill, the Québec government will, among other things, amend the *Travel Agents Act* so as to stipulate the main rules governing the Compensation Fund.



In Ontario, contrary to Québec, Travel Agents are responsible for financing travellers' financial protection through the Ontario Travel Industry Compensation Fund. On July 1, 2016, the rate of contribution to the compensation fund was increased from \$0.15 to \$0.20 per one thousand dollar tranche of travel service sales. On April 1, 2017, the rate of contribution to the compensation fund was increased from \$0.20 to \$0.25 per one thousand dollar tranche of travel service sales. As in Québec, tax payers, in this case Travel Agents, may draw directly on the compensation fund with a view to be reimbursed for disbursements made to customers in the event of end supplier failures. The maximum amount that may be reimbursed out of the compensation fund to a customer or Travel Agent for a failure to provide travel services is \$5,000 for each person whose travel services were paid for by the customer. The maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or a major event is capped at \$5.0 million.

In British Columbia, as in Ontario, the compensation fund is made up of Travel Agent contributions. The maximum amount that may be paid to a claimant in respect of a claim is \$5,000 for each person covered by the claim, subject to a \$2.0 million cap for all claims relating to a single event. It remains to be seen how this cap will work out with the contribution holiday, under the legislation applicable to licensees when the book value of the Travel Assurance Fund is at least \$2.0 million and the Travel Agent has paid the required contributions for successive semi-annual periods totalling three years.

4.8.1.1.2 *Advertised Price for Travel Services*

When it comes to advertising, Québec legislation promotes full disclosure to enable the customer to make informed decisions, namely to ensure that pricing information is not misleading and that the total price is provided at the actual time of purchase to avoid so-called "sticker-shock". However, Travel Agents may exclude from the total cost of the services advertised the Québec sales tax, Canada's goods and services tax and the dollar amount payable as a contribution to the compensation fund. The amendments brought to the *Travel Agent Act* and its Regulation that came into effect on June 30, 2010, provide that a Travel Agent who wishes to unilaterally change the price of the travel services must insert a clause to that effect in the contract. The clause shall state that (i) the price may only be increased following the imposition of a fuel surcharge by the carrier or an increase in the exchange rate, insofar as the exchange rate has increased by more than 5% between the date of the purchase and 45 days prior to departure; (ii) no price increase may occur within 30 days prior to the date of departure; and (iii) if such price increase is equal to or greater than 7% of the price of the travel services, excluding the Québec sales tax or Canada's goods and services tax, the customer may choose between a full and immediate refund or the provision of similar services.

Until 2017, Ontario's legislation required that any representation that refers to the price of travel services had to show in a clear, comprehensible and prominent manner the total amount to be paid for travel services, either including all fees, levies, service charges and surcharges or excluding them and, in the latter case, had to provide either an itemized list of the cost for each fee, levy, service charge and surcharge, or the total cost the customer would be required to pay for fees, levies, service charges or surcharges. However, amendments made to the *Travel Industry Act, 2002*, which came into force on January 1, 2017, provide that any advertising indicating a trip's price must also include all fees and taxes. Ontario's legislation now requires any representation relating to the price of travel services to show in a clear, comprehensible and prominent manner the total amount consumers will be required to pay for the travel services, including all fees, levies, service charges, surcharges, taxes and other costs. All-inclusive prices reduce confusion and ensure that there are no surprises for consumers who purchase travel services in the province.

While Ontario's legislation also allows for price increases, it only allows them if the contract between the Travel Agent and the customer permits them, if the customer has not paid the price of the travel services in full, and if the cumulative price increase is more than 7% of the total price of the travel services, excluding any increase resulting from an increase in retail sales tax or federal goods and services tax. Otherwise, the Travel Agent must offer the customer the choice between a full and immediate refund of the amount paid and comparable alternate travel services acceptable to the customer. Advertising rules in British Columbia applicable to Travel Agents are similar to Ontario but they are dealt with in general consumer protection laws.



Although air carriers are governed by federal legislation, the amendments brought to the *Consumer Protection Act* in Québec, which came into effect on June 30, 2010, prevent air carriers from charging a higher price than what is advertised.

Further to a public consultation by the Canadian Transportation Agency on Air Services Price Advertising, proposed amendments to the Air Transportation Regulations adopted pursuant to the Canada Transportation Act were pre-published in Part I of the Canada Gazette on July 3, 2012, and came into effect on December 14, 2012. The Air Transport Regulations require that the price of air services represented in any advertisement be the total price, inclusive of all taxes, fees and surcharges. The advertisement must also include a description of the air services offered and the customer must have access to the breakdown of the components of the price paid (taxes, fees and charges paid to a third party) and the fees for any optional services available. It is to be noted that the new provisions do not apply to air cargo services, sale of air services to businesses or the sale of package travel services where air services are sold with other features such as accommodations, tours, cruises or car rentals.

4.8.1.1.3 Laws Applicable to Franchising Activities

Ontario, Manitoba, Alberta, Prince Edward Island, New Brunswick and British Columbia have adopted laws governing the formalities for entering into franchise contracts. In the course of its activities, Transat enters into franchise contracts with franchisees doing business in these provinces under the Marlin Travel, Travel Plus and Goliger's brands.

As at the date of this AIF, our companies and divisions doing business as Travel Agents hold all licences necessary for their operations and are in compliance, in all material respects, with the requirements of applicable laws and regulations, including those related to franchises.

4.8.1.2 United Kingdom

The UK travel industry has three main regulatory bodies: ATOL, ABTA and IATA (defined hereinafter). ATOL is a government-backed protection scheme for flights and air holidays, and is managed by the Civil Aviation Authority (CAA). Most firms who sell air travel in the UK such as Canadian Affair are required by law to hold a licence called an ATOL. ATOL protects consumers from losing money or being stranded abroad if and when a tour operator goes out of business. All licensed firms are required to take part in a financial guarantee scheme managed by the CAA which protects customers should a firm fail. Following this measure, Canadian Affair issued a letter of credit of £2.3 million to the CAA. The holders of an ATOL licence must deliver their certificate to every customer booking a trip covered by their ATOL licence. ATOL protection is included in the price of a holiday booked with an ATOL holder. Since 2016, Air Transat UK departing passengers, like those of other scheduled airlines, are no longer be ATOL protected. However, Canadian Affair customers who book a qualifying flight plus holiday arrangement will continue to be ATOL protected.

ABTA, the Association of British Travel Agents, is a trade association which represents UK travel agents and tour operators responsible for the sale of individual vacation travel packages (not covered by the ATOL protection). It is ABTA's role to ensure that customers benefit from consistently high standards of trading practice in the travel industry. ABTA members operate under a Code of Conduct and provide consumer advice on all aspects of holidays from financial security to complaint handling.

4.8.2 Air Carriers

4.8.2.1 International Regulatory Framework

Numerous commercial aspects of international air transport are regulated by international conventions, principally the *Convention on International Civil Aviation* signed in Chicago on December 7, 1944 (the "**Chicago Convention**"), by



the domestic legislation of countries in which air transport is conducted, and by a network of bilateral and multilateral air transport agreements and treaties.

The Chicago Convention provides the basis for regulation of international air carrier operations. Scheduled air services are governed by the bilateral air transport agreements in effect between the countries of origin, destination and, in certain cases, transit of the flights in question. Certain principles pertaining to the operation of international charter flights were established between each of the signatory states (including Canada), namely that the intended transportation comply with, and be duly approved pursuant to, the national regulations of the countries between which it is being conducted.

The Chicago Convention also established the International Civil Aviation Organization (the “**ICAO**”), a specialized agency of the United Nations whose purpose is to foster the planning and development of international air transport. Under the auspices of the ICAO, rules establishing minimum operational standards are normally agreed upon on a multilateral basis. One of the treaties with considerable consequence for Transat is the landmark air transport agreement concluded between Canada and the European Union (“**EU**”) in November 2008. It formally entered into force on December 16, 2009. The agreement sets the rules for air transport services between Canada and the 28 member states of the EU, and will liberalize market access in this respect on a progressive, phased-in basis. During the first phase, Canadian airlines are able to operate from any point in Canada to any point in the 28 member-state EU zone without restrictions, with EU licensed air carriers enjoying reciprocal rights from any point in the EU (regardless of nationality) to any point in Canada. Subsequent liberalization phases will be contingent on the relaxation of Canadian airline ownership and control rules by foreign interest and will involve the easing of access to third-country markets.

On November 5, 2003, the *Montreal Convention of 1999 on Compensation for Accident Victims* (the “**Montreal Convention**”) came into effect. This multilateral agreement updates the rules on passengers, baggage and cargo liability applicable to international air transport and originally established by the Warsaw Convention in 1929 and amended over the years (together the “**Warsaw System**”). The Montreal Convention provides for the review of liability limits, thus ensuring that the amounts remain relevant with the passage of time. The first such review was duly undertaken by the ICAO during the course of 2009. In addition to establishing new principles of liability, the Montreal Convention modernizes many of the ticketing and air waybill requirements. The Montreal Convention has been ratified by Canada and applies to all flights between Canada and other ratifying states. For flights from Canada to non-ratifying or non-signatory states, the Warsaw System continues to govern.

As an airline operating flights from airports within the EU, Air Transat is subject to the provisions of EU Regulation 261/2004. This directive establishes a legal framework for the compensation and care of passengers by airlines in the event of overbooking/denied boarding, flight cancellations and long delays. While the Regulation stipulates payable compensation in the event of the first two cases, it only expressly provides for a duty of care by the airline in the context of a long flight delay (meals, snacks, hotel accommodations, as applicable). In November 2009, the European Court of Justice issued a ruling that extended financial compensation obligations to long delays as well. This jurisprudential trend has been maintained and EU national enforcement bodies henceforth consider passengers on flights delayed by more than three hours as being eligible for compensation per the rates set out for overbooking/cancellation except in certain narrowly defined cases of extraordinary circumstances. The European Commission has recently proposed amendments to revise Regulation 261 that would address these developments. However, the process is currently stalled at the EU Council level.

4.8.2.2 Canadian Legislation

The *Aeronautics Act*, R.S.C. 1985, c. A-2 and the *Canada Transportation Act* are two of the principal legislative instruments that regulate the operation of a commercial airline in Canada. Such operation is subject to the issuance of the required licences and operating certificate attesting that the air carrier complies with Canadian standards, as well as to the maintenance of the required liability insurance. In the case of charter flights, permits are required for



each proposed flight or series of flights. Licences and charter permits are issued by the Canadian Transportation Agency (the “**Agency**”), and the operating certificate is issued by Transport Canada. This certificate attests that the air carrier is properly organized and equipped to conduct its business in compliance with the *Canadian Aviation Regulations*, SOR/1996-433. Such a certificate was issued to Air Transat on November 13, 1987, and was subsequently modified to reflect our changing operating conditions.

Air Transat is required to obtain a permit from the Agency in respect of each international charter flight or series of charter flights. This authorization is conditional upon various details being provided to the Agency with respect to the flight, the eligibility and financial responsibility of the charterer, and the terms and conditions of the charter contract. Moreover, the issuance of any authorization relating to an international charter flight or a series of international charter flights is subject to the provision by Air Transat of satisfactory evidence that any advance payments by the charterer to Air Transat, for an international charter flight or a series of international charter flights, are protected by way of a guarantee or an irrevocable letter of credit. This guarantee or irrevocable letter of credit provides security in an amount equal to the payments received by Air Transat from charterers in advance for all segments of unperformed flights pursuant to a charter contract. The Agency also determines the conditions regulating the relationship between air carriers and the charterer. Under current Canadian regulations, an air carrier operating under a charter permit does not have the right to sell seats on international air services directly to the public, but must charter its capacity to one or more competent charterers. A very small portion of Air Transat’s flight operations are conducted pursuant to such charter regulations, with the considerable majority governed by scheduled licensing authorities per the following paragraph.

The conditions mentioned previously do not apply to Canadian domestic operations in that the legislation no longer makes any distinction between scheduled and charter flight services. Furthermore, Air Transat is licensed by the Canadian Transportation Agency to offer scheduled services to the United States, Cuba, the European Union (representing its 28 member states), Mexico, Jamaica, the Bahamas, Barbados, Turkey, Panama, Costa Rica, Nicaragua, El Salvador, Colombia, Antigua and Barbuda, St. Lucia, Netherlands Antilles, the Dominican Republic, Israel and Haiti. These operations are subject to the rules established under the bilateral air transport agreements concluded by Canada with these respective countries and supranational authorities.

On May 16, 2017, the federal minister of transport, the Honourable Marc Garneau, tabled Bill C-49, the *Transportation Modernization Act* in Canada’s House of Commons. The main elements of this legislation that would directly affect the Corporation are the following: (i) Establishment of a framework for an airline passenger rights regime that would impose legal obligations on airlines with respect to tarmac delay management, denied boarding, flight delay/flight cancellation compensation and duty of care, as well as liability standards for the carriage of baggage not currently covered by existing international conventions; (ii) increase of the maximum number of voting shares of a Canadian-licensed airline that can be beneficially owned by non-Canadians from 25 to 49%; (iii) establishment of an approval/immunization from competition law process for airline joint ventures by the federal minister of transport. The Corporation submitted a detailed brief to government and legislative officials in relation to Bill C-49 and outlining the need for a balanced passenger rights framework, as well as to ensure that the proposed airline joint venture approval process remains subject to robust competition law oversight in order to maintain fair and sustainable competition in Canada’s airline industry over the long term. As of October 31, 2017, Bill C-49 had passed its third reading in the House of Commons and had been transferred to Canada’s Senate for further review and consideration per applicable legislative procedures.

On September 14, 2017, Transat testified before the Standing Committee on Transport, Infrastructure and Communities in the context of the committee’s study of the *Transportation Modernization Act*. In that regard, Transat proposed reinforcing the provisions governing the creation joint ventures between international air carriers by subjecting projects involving these types of joint ventures to an examination mechanism largely inspired by the *Canada Transportation Act*’s merger provisions. Transat repeated that it supported the adoption of a travellers’ charter as well as amendments that would bring the foreign ownership of Canadian airlines to 49%.



On January 30, 2015, Bill C-51, *An Act to enact the Security of Canada Information Sharing Act and the Secure Air Travel Act, to amend the Criminal Code, the Canadian Security Intelligence Service Act and the Immigration and Refugee Protection Act and to make related and consequential amendments to other Acts* (the “**Antiterrorist Act**”) was presented for first reading in the House of Commons. The Antiterrorist Act seeks to provide a new legislative framework for identifying and responding to persons suspected of threatening transportation security or of travelling by air for the purpose of committing a terrorism offence. The Antiterrorist Act would authorize the Minister of Public Safety and Emergency Preparedness to establish a list of such persons and to direct air carriers to take any necessary actions to prevent the commission of such acts. The Minister of Transport would also have the power to seize an aircraft for the purpose of inspecting it and take measures concerning the movement of the aircraft. The management cannot predict whether or when the Antiterrorist Act might be adopted.

Air Transat, like Transat Tours Canada, is subject to the Canadian and foreign personal information protection legislation concerning the collection, use, disclosure and protection of passenger and employee data. In Canada, the federal legislation regarding the protection of personal information in the private sector, the *Personal Information Protection and Electronic Documents Act* (Canada) (“**PIPEDA**”), governs the collection, use and disclosure of personal information in the course of commercial activities of a federally regulated undertaking. Moreover, the PIPEDA governs the processing of personal information of employees working for federally regulated employers. Subject to certain exceptions, the PIPEDA also applies to the collection and disclosure of personal information from province to province or between Canada and another country, and within provinces in the absence of substantially similar legislation governing the protection of personal information applicable to the private sector. The PIPEDA requires the tacit or express informed consent of the persons whose personal information is collected and used. The personal information may then be used only for the purposes for which it was initially collected or for other purposes provided or permitted by the PIPEDA. Air Transat's privacy policies respect or exceed the requirements of the Act.

As at the date of this AIF, Air Transat holds all necessary licences, certificates and permits and is in compliance, in all material respects, with the requirements of applicable Canadian legislation. Furthermore, all of our aircraft meet the ICAO chapter 3 noise requirements implemented by Transport Canada.

On July 1, 2014, *An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act* came into force. Also called the “**Canadian Anti-Spam Act**” or “**CASA**”, the Act particularly regulates the conditions under which commercial electronic messages may be sent. All of the Corporation's Canadian subsidiaries implemented mechanisms ensuring their compliance with the requirements of the CASA before July 1, 2014.

4.8.2.3 Foreign Legislation

In respect of each jurisdiction other than Canada in which Air Transat operates, we must comply with applicable laws and, when necessary, obtain the required licences, permits and authorizations. We are of the opinion that Air Transat holds all licences, permits and authorizations necessary for its operations and is in compliance, in all material respects, with the requirements of applicable foreign legislation.

4.8.2.4 IATA

IATA, the International Air Transport Association, is the prime vehicle for inter-airline co-operation in promoting safe, reliable, secure and economical air services - for the benefit of the world's consumers. IATA membership is open to both scheduled and non-scheduled airlines. Only airlines operating air services are eligible for IATA membership. However, travel agencies can be registered as IATA approved agents. Air Transat is a member of IATA.

4.8.3 Environment

We have put the necessary processes in place and we are in compliance in all material respects with the provisions of applicable environmental laws and regulations that apply to our buildings and to our operations. This is true for all regulatory levels, from borough and municipal by-laws to provincial, federal and international regulations. The Risk Management and Corporate Governance Committee of the Board of Directors annually carries out a risk assessment and reviews corporate policies and procedures with respect to the environment.

On June 3, 2014, Air Transat became the first airline in North America to obtain Phase 1 certification under the IEnvA (IATA Environmental Assessment), the seal of excellence in environmental best practices awarded by the IATA (International Air Transportation Association). This program is based on compliance with strict environmental standards and the Corporation's commitment to continuous improvement of its environmental management. The criteria underlying IEnvA certification are based on a combination of standards coming from recognized environmental management systems, such as ISO 14001, the IATA Operational Safety Audit (IOSA) and the IATA Safety Audit for Ground Operations (ISAGO). The assessments are conducted by independent accredited environmental certification organizations, which have proven environmental management system audit competencies.

Since January 2012, all air carriers serving the EU, including Air Transat, are subject to EU regulations concerning the application of the EU's Emissions Trading Scheme (ETS) to aviation. However, as a result of formal objections by numerous countries around the world concerning the extraterritorial application and resulting alleged state sovereignty violations of the ETS, the EU suspended application of its ETS to EU-third country air services in November 2012 pending the outcome of deliberations at the ICAO during its General Meeting in the autumn of 2013 on the question of a multilateral plan for reducing the effects of aviation GHGs on climate change. A resolution to this end was indeed adopted by the ICAO General Assembly. The EU subsequently amended its ETS Regulation to limit its scope only to intra-European flights. This is referred to as the "suspended provision". At ICAO's subsequent 39th Triennial General Meeting that took place in the autumn of 2016, a new global market-based mechanism was agreed to that would create a voluntary carbon-offsetting system for international aviation emissions as of 2021. This system (referred to as CORSIA, for Carbon Offsetting and Reduction Scheme for International Aviation) will become mandatory for all countries except for the world's least developed states by 2027. Canada is one of the numerous countries that will take part in the voluntary phase. Consequently, when an Air Transat flight will be operated from Canada to another non-exempted country that has agreed to take part in the voluntary transition phase, the carbon emissions from that flight will need to be offset through one or more authorized programs. At this time it is uncertain as to whether the EU will maintain the current intra-European scope, revert to the full scope, or exclude aviation from the EU ETS. Until a formal decision is made, Air Transat will continue to comply with all legal requirements set out by the EU regarding greenhouse gas emissions reporting, monitoring, and verification.

In 2017, airlines that operate domestic flights in Switzerland and out of the EU were required to provide information and monitoring plans for the purposes of the new emissions trading scheme that will be coming into effect in Switzerland in 2020. Switzerland and the EU are therefore trying to link their respective emissions trading schemes. The two schemes, however, will continue to operate in tandem until an agreement is reached. Air Transat is not subject to these schemes, seeing as flights to and from the EU are not included due to the "suspended provision" mentioned above pertaining to the European Union's scheme, which measure was extended to coincide with the introduction of the ICAO's CORSIA scheme in 2021.

In Canada, an intra-provincial tax on greenhouse gas emissions has already been implemented in the provinces of British Columbia and Alberta, though it does not apply to Air Transat seeing as the air carrier does not operate intra-provincial flights. Since 2014, Ontario has charged an aviation fuel tax that applies to all airline companies that purchase fuel for their planes in Ontario. The federal government intends to introduce a new law that will be accompanied by regulations implementing a carbon pollution pricing system, which regulations will apply to all Canadian provinces and territories whose schemes do not align with the reference criteria. The impact of this new



legislation on the aviation industry is as yet unclear, nor is it known what financial impacts they will have on Air Transat, but the latter is actively participating in government consultations to that effect through its industry trade group NACC (National Airlines Council of Canada), of which it is a member. Our goal is to mitigate the costs for Air Transat and to ensure a level playing field.

Transat's Board of Directors formally adopted a sustainable tourism policy in 2008 and Transat developed and implemented an environmental policy in 2010. This policy provides a framework and sets out the principles guiding our action in this area.

4.8.4 Corporate Social Responsibility

We endeavour to maintain healthy and mutually beneficial relationships with all communities, so that they benefit to the maximum from the favourable effects of our activities and of tourism in general, and we endeavour to minimize the adverse effects. In this regard, we have in place a comprehensive corporate responsibility program with a report available at resp.transat.com, which provides an account of the organization's commitment to taking responsible actions and describes the main accomplishments.

After ten years of sustainability efforts, Transat became the first North American tour operator to be awarded Travelife Partner status in 2016, reaching an important milestone on the way to securing this world-renowned certification in the tourism industry. We have continued implementing our Travelife action plan this year in order to be fully certified in 2018. Moreover, in March of 2017, the Corporation published a new version of its website on corporate social responsibility. The site lists some 70 initiatives that are concretely based on four major pillars: the environment, communities, workplace and tourism activities.

Transat places great importance to skills upgrading and promoting of a work environment based on respect. Over the years, we have implemented a variety of programs and tools to improve employee orientation and integration, training as well as all aspects of employee recognition. Diversity is a key value for Transat, with 45% of our senior executives being women. We promote hiring of candidates from minority groups and also encourage direct or indirect employment of local personnel for positions at destination.

Here at Transat, we believe that developing and training our talent are key elements to an enriching employee experience that will contribute to the organization's performance. This is why we have implemented development solutions that reflect the reality of the various areas of activity and types of population. These flexible, efficient and innovative solutions are based on experiential learning techniques. Our training portfolio covers technical, professional and business techniques as well as leadership skills. In 2017, 605 of our professionals and collaborators, 368 of our call center agents and 170 of our managers and directors participated in one of our trainings. We provide quality support, which allows our various in-house partners to identify their needs accurately and obtain perfectly adapted solutions.

To strengthen this culture focused on upgrading competencies and encourage personnel to excel, we have developed a structured method for evaluating employee potential, with input from a specialized firm. Transat's Code of Ethics was revised in 2010 and 2015, and now includes commitments related to our vision of corporate responsibility. This document, approved by the Board of Directors, constitutes both an expression of our corporate culture and an instrument for managing change. Every employee is required to read it and commit to complying with it.

Our corporate responsibility program and all sub-programs are managed by the Corporate Responsibility Committee (CRC), made up of senior executives from all sectors of the Corporation. The CRC meets two to four times a year.



4.9 RISK FACTORS

We are subject to a number of risks and other factors that could affect demand for our product offering, some of which are related or inherent to the travel industry in general. Please see the “Risks and Uncertainties” section of our Management’s Discussion and Analysis for the year ended October 31, 2017, available for consultation on SEDAR at sedar.com.

4.9.1 Risk Management and Insurance

4.9.1.1 Tour Operators and Travel Agencies

We hold and maintain in full force insurance policies for amounts conforming to industry standards. Our liability insurance for our tour operator and travel agency activities covers the liability for bodily harm or property damage suffered by travellers or third parties. In the context of our activities as a tour operator, we use reasonable efforts to ensure that our service providers also have insurance covering bodily harm or property damage suffered by travellers. Furthermore, in collaboration with an insurer, we established a voluntary professional liability insurance (errors and omissions) plan for our franchisees.

Pursuant to its mandate, the Risk Management and Corporate Governance Committee reviews on a continuous basis a number of emergency measures and measures related to the Corporation’s operations. Risk management is shared among the Corporation’s executive officers and directors to eliminate compartmentalized risk management.

4.9.1.2 Air Carrier

We hold and maintain in full force insurance policies for amounts in accordance with industry standards and in compliance with applicable statutory requirements and the covenants of our aircraft lease agreements. Our liability insurance for airline operations covers liability related to damages resulting from injury or death of passengers, as well as to damage suffered by third parties. The limit for any single event is US\$1.25 billion with the exception of War Risk Bodily Injury/Property Damage to Third Parties excluding passengers where the limit is US\$250 million for any single event and in the aggregate.

In this latter regard, additional insurance is carried and maintained for War Risk Bodily Injury/Property Damage to Third Parties excluding passengers covering the excess of US\$250 million up to the limit of US\$1 billion for any single event and in the aggregate.

Through our Audit Committee and our Risk Management and Corporate Governance Committee, our Board of Directors identifies and evaluates at least once annually the principal risk factors related to our business and approves strategies and systems proposed to manage such risks, including those specifically related to the aviation industry.

5. DIVIDENDS

Transat has not declared or paid dividends to holders of the Variable Voting Shares and of the Voting Shares for any of the three most recently completed financial years in order to keep cash on hand to develop the hotel business and contend with business challenges arising from the prevailing economy. No decision has been taken with respect to future dividends, and no assurance can be given that any dividends will be paid in the future.

6. MANAGEMENT’S DISCUSSION AND ANALYSIS

We refer you to our Management’s Discussion and Analysis for the year ended October 31, 2017, available for consultation on SEDAR at sedar.com.



7. OUR SHARE CAPITAL STRUCTURE

7.1 CONSTRAINTS ON SHARE OWNERSHIP

Pursuant to the *Canada Transportation Act*, Air Transat must at all times be in a position to establish that it is “Canadian” within the meaning of such act (hereinafter, a “**Qualified Canadian**”) in order to hold the licences necessary to operate an air service. Because Air Transat is wholly owned by Transat, we must be a Qualified Canadian in order for Air Transat to be a Qualified Canadian. Currently, we must ensure that no more than 25% of voting interests attaching to our shares are owned or controlled by persons who are not Qualified Canadians¹.

In this respect, our Articles provide for Variable Voting Shares and Voting Shares. The Variable Voting Shares can only be owned or controlled by persons who are not Qualified Canadians and carry one vote per share unless (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of all the issued and outstanding voting shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting. If either of the above-noted thresholds would otherwise be surpassed at any time, the vote attached to each Variable Voting Share will decrease proportionately such that (i) the Variable Voting Shares as a class do not carry more than 25% of the aggregate votes attached to all issued and outstanding voting shares of the Corporation; and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 25% of the votes that may be cast at such meeting. The Voting Shares can only be owned and controlled by Qualified Canadians and always carry one vote per share. All the other rights, privileges, conditions and restrictions are the same for the two classes of shares.

The holders of Variable Voting Shares and Voting Shares will vote together at any meeting and no separate meeting shall be held for any such class of shares. Only votes attached to voting shares represented by shareholders present in person or represented by proxy at a meeting and legally entitled to vote thereat can be exercised or cast at such meeting.

Pursuant to its powers under Transat By-law No. 1999-1 and the regulations under the *Canada Business Corporations Act*, and in accordance with the provisions of our Articles and the *Canada Transportation Act*, Transat’s Board of Directors has implemented a series of administrative measures to ensure that the Voting Shares are owned and controlled by Qualified Canadians and the Variable Voting Shares are owned or controlled by persons who are not Qualified Canadians at all times (the “**Ownership Restrictions**”). The measures are notably reflected in the forms of declaration of ownership and control. Shareholders who wish to vote at a meeting either by: (i) completing and delivering a form of proxy or a voting instruction form, or (ii) by attending and voting at such meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If a shareholder does not duly complete such declaration or if it is determined by Transat or its transfer agent, AST Trust Company (“**AST**”), that a shareholder indicated (inadvertently or otherwise) that he or she owns or controls the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration of ownership appears inconsistent with the information held by Transat (inadvertently or otherwise), we may take any action that we deem appropriate with a view to ensuring compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, AST, the vote attached to such declarant’s voting shares will not be tabulated.

¹ We refer you to section 4.8.2.2 for more information.



7.2 INFORMATION AND REPORTING

Transat or its transfer agent will provide the shareholders, in accordance with the applicable securities legislation, with Transat's financial statements (including the annual and quarterly financial statements) and other reports required by the applicable laws, including the prescribed forms required by the shareholders to file their tax returns in accordance with the *Income Tax Act* and the equivalent provincial legislation.

Before each shareholders meeting, Transat's Board of Directors will provide the shareholders (with the Notice of Meeting) with a form of proxy and all the information that must be provided to them, under the applicable legislation and the TSX rules.

Transat's directors and officers are required to file insider reports and comply with the insider trading provisions of the Canadian securities legislation regarding trading by these persons in Transat's securities.

7.3 SHAREHOLDER RIGHTS PLAN OF TRANSAT

Transat's Shareholder Subscription Rights Plan dates back to February 3, 1999, and was ratified by the shareholders on March 24, 1999. This plan was renewed by the Board of Directors and ratified by the shareholders every 3 years. The last renewal and ratification occurred in 2017 (the "**2017 Rights Plan**"). The 2017 Rights Plan came into force after the annual and special meeting of the shareholders held on March 16, 2017, and will expire at the close of business the day after the annual meeting of shareholders to be held in 2020, unless earlier terminated in accordance with its terms.

The 2017 Rights Plan is designed to provide Transat's shareholders and the Board of Directors additional time to assess an unsolicited takeover bid for the Corporation and, where appropriate, to give the Board of Directors additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a takeover bid. The 2017 Rights Plan creates one right in respect of each Variable Voting Share and each Voting Share of Transat outstanding as at March 16, 2017, or subsequently issued. Presently, until the separation time, which typically occurs at the time of an unsolicited takeover bid whereby an Acquiring Person (as defined in the rights plan) acquires or attempts to acquire 20% or more of Transat's outstanding Variable Voting Shares and Voting Shares, calculated on a combined basis, the rights are not separable from the shares, are not exercisable and no separate rights certificates are issued.

Under the 2017 Rights Plan, each right, other than those held by an Acquiring Person and certain of its related parties, entitles the holder in certain circumstances following the acquisition by an Acquiring Person of 20% or more of the outstanding Variable Voting Shares and Voting Shares of Transat calculated on a combined basis (otherwise than through the "Permitted Bid" requirements of the rights plan) to purchase from Transat \$200 worth of Variable Voting Shares or Voting Shares for \$100 (i.e. at a 50% discount). Upon such exercise, holders of rights beneficially owned and controlled by Qualified Canadians would receive Voting Shares and holders of rights beneficially owned or controlled by persons who are not Qualified Canadians would receive Variable Voting Shares.

The 2017 Rights Plan reflects the new rules governing takeover bids entered into in 2016, extending the minimum duration of a bid to at least 105 days. Consequently, for a bid to be eligible and considered authorized, the takeover bid must be presented in a takeover bid circular to all holders of common shares in order to be valid for at least 105 days and must contemplate more than 50% of the outstanding shares, as provided for in the 2017 Rights Plan.

What is more, the 2017 Rights Plan still gives effect to a 2014 decision issued by Canadian Securities Administrators that effectively treats Transat's Variable Voting Shares and Voting Shares as a single class for the purposes of applicable takeover bid requirements and early warning reporting requirements under Canadian securities laws. Consequently, the 2017 Rights Plan is triggered in the event of an offer to acquire 20% or more of both the Variable Voting Shares and the Voting Shares, on a combined basis, and not when the offer contemplates the acquisition of



20% or more of either class separately. A copy of the 2014 decision issued by the Canadian Securities Administrators is available under Transat's profile at sedar.com.

7.4 GENERAL DESCRIPTION OF OUR SHARE CAPITAL

As at the date of this AIF, Transat's share capital is composed of Voting Shares and Variable Voting Shares introduced in our latest Articles of Amendment filed on March 4, 2005, and effective as at that date (the "**Articles of Amendment**"), as well as Preferred Shares. As at October 31, 2017, there were 1,410,985 issued and outstanding Variable Voting Shares and 36,239,624 issued and outstanding Voting Shares. Below is a summary describing the rights, privileges, restrictions and conditions attached to Transat's Variable Voting Shares, Voting Shares and Preferred Shares.

7.4.1 Class B Voting Shares

7.4.1.1 Exercise of Voting Rights

The holders of Voting Shares shall be entitled to receive notice of, and to attend and vote at all meetings of our shareholders, except those at which holders of a specific class are entitled to vote separately as a class under the *Canada Business Corporations Act*. Each Voting Share shall confer the right to one vote at all meetings of our shareholders.

7.4.1.2 Dividends

Subject to the rights, privileges, restrictions and conditions attached to any class of Transat shares ranking prior to the Voting Shares, holders of Voting Shares are entitled to receive any dividends declared by our directors at the times and for the amounts that the Board of Directors may determine from time to time. The Voting Shares and the Variable Voting Shares shall rank equally as to dividends on a share-for-share basis. All dividends declared shall be declared in equal or equivalent amounts per share on all Voting Shares and Variable Voting Shares then outstanding, without preference or distinction.

7.4.1.3 Subdivision or Consolidation

No subdivision or consolidation of the Voting Shares or Variable Voting Shares shall occur unless simultaneously, the Voting Shares or the Variable Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

7.4.1.4 Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to any class of shares ranking prior to the Voting Shares, in the case of liquidation, dissolution or winding up of Transat, the holders of Voting Shares and Variable Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

7.4.1.5 Conversion

Each issued and outstanding Voting Share shall automatically be converted into one Variable Voting Share, without any further intervention on the part of Transat or the holder, if such Voting Share is or becomes owned or controlled by a person who is not a Qualified Canadian.

In the event that an offer is made to purchase Variable Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Variable Voting Shares are then



listed, to be made to all or substantially all the holders of Variable Voting Shares, each Voting Share shall become convertible at the option of the holder into one Variable Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Voting Shares for the purpose of depositing the resulting Variable Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning the voting rights for Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

Should the Variable Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Variable Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, to Voting Shares.

The Voting Shares may not be converted into Variable Voting Shares, or vice-versa, other than in accordance with the conversion procedure set out in the Articles of Amendment.

7.4.1.6 Constraints on Share Ownership

The Voting Shares may only be owned or controlled by persons who are Canadians.

7.4.2 Class A Variable Voting Shares

7.4.2.1 Exercise of Voting Rights

The holders of Variable Voting Shares are entitled to receive notice of, to attend and vote at all meetings of our shareholders, except those at which the holders of a specific class are entitled to vote separately as a class under the *Canada Business Corporations Act*.

Variable Voting Shares carry one vote per share held, except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Voting Shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given shareholders' meeting, carry more than 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting.

7.4.2.2 Dividends

Subject to the rights, privileges, restrictions and conditions attached to any other class of Transat shares ranking prior to the Variable Voting Shares, the holders of Variable Voting Shares are entitled to receive any dividends that are declared by Transat's directors at the times and for the amounts that our Board of Directors may, from time to time, determine. The Variable Voting Shares and the Voting Shares shall rank equally as to dividends on a share for share



basis. All dividends shall be declared in equal or equivalent amounts per share on all Variable Voting Shares and Voting Shares then outstanding, without preference or distinction.

7.4.2.3 Subdivision or Consolidation

No subdivision or consolidation of the Variable Voting Shares or Voting Shares shall occur unless simultaneously, the Variable Voting Shares or Voting Shares, as the case may be, are subdivided or consolidated in the same manner so as to maintain and preserve the relative rights of the holders of each of these classes of shares.

7.4.2.4 Rights in the Case of Liquidation, Winding-Up or Dissolution

Subject to the rights, privileges, restrictions and conditions attached to the other classes of Transat shares ranking prior to the Variable Voting Shares, in the case of liquidation, dissolution or winding up of Transat, the holders of Variable Voting Shares and Voting Shares shall be entitled to receive Transat's remaining property and shall be entitled to share equally, share for share, in all distributions of such assets.

7.4.2.5 Conversion

Each issued and outstanding Variable Voting Share shall be automatically converted into one Voting Share, without any further intervention on the part of Transat or the holder, if (i) the Variable Voting Share is or becomes owned and controlled by a Qualified Canadian, or if (ii) the provisions contained in the *Canada Transportation Act* relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

In the event that an offer is made to purchase Voting Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Voting Shares are then listed, to be made to all or substantially all the holders of Voting Shares in a given province of Canada to which these requirements apply, each Variable Voting Share shall become convertible at the option of the holder into one Voting Share at any time while the offer is in effect until one day after the time prescribed by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the offer. The conversion right may only be exercised in respect of Variable Voting Shares for the purpose of depositing the resulting Voting Shares pursuant to the offer, and for no other reason, including notably with respect to voting rights attached thereto, which are deemed to remain subject to the provisions concerning voting rights for Variable Voting Shares notwithstanding their conversion. Our transfer agent shall deposit the resulting Voting Shares on behalf of the holder.

Should the Voting Shares issued upon conversion and tendered in response to the offer be withdrawn by shareholders or not taken up by the offeror, or should the offer be abandoned or withdrawn, the Voting Shares resulting from the conversion shall be automatically reconverted, without further intervention on the part of Transat or on the part of the holder, into Variable Voting Shares. Variable Voting Shares may not be converted into Voting Shares, and vice-versa, other than in accordance with the conversion procedure set out in our Articles of Amendment dated March 4, 2005.

7.4.2.6 Constraints on Share Ownership

Variable Voting Shares may only be owned or controlled by persons who are not Qualified Canadians.

7.4.3 Preferred Shares

The Preferred Shares, if issued, will rank prior to the Variable Voting Shares and the Voting Shares with respect to the payment of dividends and the distribution of assets. In the event of the dissolution or liquidation of the Corporation or the distribution of its capital, no amount shall be paid and no asset shall be distributed to the holders of shares of any other class of the Corporation until the holders of the Preferred Shares receive an amount equal to



the value of the consideration received by the Corporation upon the issuance of such shares and, in the case of Preferred Shares of a series entitled to cumulative dividends, of all dividends then accrued and unpaid, and, for Preferred Shares of a series entitled to non-cumulative dividends, of all dividends declared thereon and unpaid, if any, plus any other amount, if any, determined by the directors in respect of each series prior to the issue of any Preferred Shares of such series. The holders of the Preferred Shares of a particular series shall be entitled to the payment of this entire amount from the assets of the Corporation in preference and prior to the holders of any other class of shares of the capital of the Corporation.

The Preferred Shares of each series will rank equally with the Preferred Shares of other series in terms of payment of dividends and distribution of assets upon liquidation or dissolution of the Corporation.

8. MARKET FOR SECURITIES

On November 16, 2015, the Transat Variable Voting Shares and Voting Shares were listed on the TSX under a single symbol, "TRZ". Previously, the shares were listed respectively under two symbols, "TRZ.A" and "TRZ.B".

The following table set out the reported high and low prices and trading volume of the Variable Voting Shares and Voting Shares listed as "TRZ" for each month of the fiscal year ended October 31, 2017.

TRANSAT A.T. INC. "TRZ"			
Month	High	Low	Volume
October 2017	\$10.98	\$9.40	2,785,100
September 2017	\$10.44	\$8.26	5,773,343
August 2017	\$9.30	\$7.60	3,500,949
July 2017	\$7.88	\$5.56	2,630,140
June 2017	\$6.10	\$5.55	805,204
May 2017	\$6.31	\$5.50	1,644,584
April 2017	\$5.58	\$5.07	1,027,475
March 2017	\$5.81	\$5.10	1,741,070
February 2017	\$5.89	\$5.02	2,397,182
January 2017	\$5.93	\$5.12	805,819
December 2016	\$6.00	\$5.06	1,181,742
November 2016	\$6.20	\$5.65	811,671

On October 31, 2017, the closing price on the TSX of a Variable Voting Share and Voting Share was \$10.66.

9. OUR DIRECTORS AND OFFICERS

9.1 OUR DIRECTORS

The following table states, as at the date of this AIF, the name, province and country of residence, year of election as director and present principal occupation of each director of Transat, as well as the number of voting shares of Transat owned by each director or over which he or she exercises control or direction. Each of our directors shall hold office until Transat's next annual meeting or until his or her replacement is elected.



Name of Director, Province and Country of Residence	Principal Occupation	Director Since	Voting Shares Owned or Controlled or Directed(1)	Deferred Share Units (DSUs)(1)
Jean-Marc Eustache <i>Québec, Canada</i>	Chairman of the Board, President and Chief Executive Officer	February 1987	410,636	10,331
Raymond Bachand <i>Québec, Canada</i>	Strategic Advisor, Norton Rose Fulbright	March 2014	0	28,721
Louis-Marie Beaulieu <i>Québec, Canada</i>	Chairman of the Board and Chief Executive Officer of Groupe Desgagnés Inc.	March 2013	20,000	20,571
Lucie Chabot <i>Québec, Canada</i>	Vice-President and Chief Financial Officer of SAIL Outdoors Inc.	October 2015	1,500	4,566
Lina De Cesare <i>Québec, Canada</i>	Corporate Director	May 1989	75,576	15,461
Jean Pierre Delisle <i>Québec, Canada</i>	Corporate Director and Executor of Estates	September 2007	33,000	17,029
W. Brian Edwards <i>Québec, Canada</i>	Corporate Director	June 2010	18,790	37,822
Susan Kudzman <i>Québec, Canada</i>	Executive Vice-President, Corporate Affairs, and Chief Risk Officer, Laurentian Bank of Canada	March 2014	0	30,474
Jean-Yves Leblanc <i>Québec, Canada</i>	Lead Director and Corporate Director	December 2008	13,000	24,713
Jacques Simoneau <i>Québec, Canada</i>	President, Chief Executive Officer and Director of Gestion Univalor, L.P.	November 2000	18,280	17,643
Louise St-Pierre <i>Québec, Canada</i>	Corporate Director	October 2017	0	0
Philippe Sureau <i>Québec, Canada</i>	Corporate Director	February 1987	323,209	21,533

(1) The number of shares or differed share units indicated is given as at October 31, 2017, and is based on the declarations of our directors. Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or deferred share units of Transat equivalent to at least three times the annual retainer to which he or she is entitled after having served three years as a director. Please refer to our 2018 Management Proxy Circular for additional detail (or our most recent Management Proxy Circular, where applicable).

Each of the directors of Transat has had the principal occupation indicated opposite his or her name during the past five years, except as indicated below:



- Mr. Raymond Bachand was elected to the Québec National Assembly for Outremont on December 12, 2005, and reelected 3 times in 2007, 2008 and 2012. He was Minister of Economic Development, Innovation and Export Trade from February 2006 to June 2009, Minister of Tourism from April 2007 to December 2008, Minister responsible for the Montreal region from April 2007 to September 2012, Minister of Finance from April 2009 to September 2012 and Minister of Revenue from August 2010 to September 2012. He retired from political life on September 13, 2013. Since January 20, 2014, he acts as strategic advisor for the law firm Norton Rose Fulbright;
- Mrs. Lina De Cesare was Advisor to the President of Transat from November 2009 to October 2014, and President, Tour Operators of Transat and President of Cameleon Hotel Management Corporation from December 2004 to November 2009;
- Ms. Susan Kudzman was an actuary and partner at Mercer Canada from 2011 to 2014, where she was in charge of the risk management practice. She was Senior Vice-President, Human Resources, of Laurentian Bank of Canada from March 2014 to September 2015 and is Executive Vice-President, Chief Risk Officer and Corporate Affairs at the Laurentian Bank of Canada since October 2015;
- Ms. Louise St-Pierre was President and Chief Executive Officer of Cogeco Connexion from 2013 to 2016. She also held several positions as vice-president within Cogeco Connexion, including Senior Vice-President, Residential Services from 2009 to 2013, Vice-President, Customer Services and Operations from 2007 to 2009, and Vice-President, Chief of Information Technology from 1999 to 2007. She is chairing the Board of Directors of Domaine Forget in Charlevoix since 2017, but has been a director thereof since 2012. She also sits on the Board of Directors of CAA-Québec; and
- Mr. Philippe Sureau was Advisor to the President of Transat from November 2009 to October 2014.

For a detailed description of all of the other boards of directors on which the Corporation's directors have served, please see our Management Proxy Circular for the Annual and Special Meeting of the Shareholders that will be held March 15, 2018 (or in our most recent Management Proxy Circular, where applicable) available on sedar.com.

Transat's Board of Directors has created four committees, to which it has delegated specific mandates and necessary powers to assist it in effectively fulfilling its duties. The table below indicates the committees of the Board of Directors, with their respective membership as at October 31, 2017:

EXECUTIVE COMMITTEE	Jean-Marc Eustache – Chair W. Brian Edwards Jean-Yves Leblanc Jacques Simoneau
AUDIT COMMITTEE	Jean-Yves Leblanc – Chair Raymond Bachand Lucie Chabot Jacques Simoneau
HUMAN RESOURCES AND COMPENSATION COMMITTEE	W. Brian Edwards – Chair Louis-Marie Beaulieu Susan Kudzman Jean-Yves Leblanc



**RISK MANAGEMENT AND CORPORATE GOVERNANCE
COMMITTEE****Jacques Simoneau – Chair**

Lina De Cesare

W. Brian Edwards

Susan Kudzman

As at December 13, 2017, Mr. Jean-Yves Leblanc is the Lead Director of Transat. For more information, we refer you to Section 15 of this AIF. His responsibilities include chairing and coordinating the meetings of the Audit Committee.

9.2 OUR EXECUTIVE OFFICERS**9.2.1 Key Announcements — Retirements and Appointments in 2017**

In the course of 2017, several changes have taken place in Transat's senior management. First, on July 31, 2017, after seventeen (17) years of service with the Corporation, André De Montigny stepped down as President of Transat International in order to retire. Mr. De Montigny continues to act as Vice-President, Business Development on a contractual basis.

Moreover, Transat announced on September 13, 2017, the appointment of Mr. Bruno Leclaire to the position of Chief Information and Digital Officer effective November 1, 2017. Mr. Leclaire is replacing Mr. Michel Bellefeuille, who will continue acting as Vice-President, Information Systems until he retires on December 31, 2017.

On October 11, 2017, Transat also announced the appointment of Annick Guérard as Chief Operating Officer at Transat starting November 1, 2017. As such, Ms. Guérard will be responsible for all of Transat's leisure travel activities, including in the airline sector. Moreover, Ms. Guérard will continue to act as President of Transat Tours Canada Inc.

9.2.2 Current Members

The following table sets forth the names, province and country of residence of Transat's executive officers, their first year of service and current position held with Transat, as well as the number of voting shares of Transat owned or over which he or she exercises control or direction.

As at October 31, 2017, the executive officers and directors of the Corporation as a group own a total of 1,396,640 Voting Shares, which represent 3.77% of the total number of Voting Shares and Variable Voting Shares issued and outstanding as at that date.

Name, Province and Country of Residence	First Year of Service with Transat	Position Held with Transat and Certain Subsidiaries	Voting Shares Owned or Controlled or Directed ⁽¹⁾
Jean-Marc Eustache Québec, Canada	1987	Chairman of the Board, President and Chief Executive Officer of Transat	410,636



Joseph Adamo <i>Québec, Canada</i>	2011	President and General Manager of Transat Distribution Canada Inc. and Vice-President, Chief Distribution Officer of Transat Tours Canada Inc.	22,515
Michel Bellefeuille <i>Québec, Canada</i>	2002	Vice-President and Chief Information Officer of Transat ⁽²⁾	44,586
Bernard Bussi�res <i>Québec, Canada</i>	2001	Vice-President, General Counsel and Corporate Secretary of Transat	70,856

Name, Province and Country of Residence	First Year of Service with Transat	Position Held with Transat and Certain Subsidiaries	Voting Shares Owned or Controlled or Directed ⁽¹⁾
André De Montigny <i>Québec, Canada</i>	2000	Vice-President, Business Development of Transat ⁽³⁾	72,811
Daniel Godbout <i>Québec, Canada</i>	1999	Senior Vice-President, Transport and Yield Management of Transat	116,693
Annick Guérard <i>Québec, Canada</i>	2002	Chief Operating Officer, Transat A.T. Inc. and President, Transat Tours Canada Inc.	37,536
Christophe Hennebelle <i>Québec, Canada</i>	2009	Vice-President, Human Resources and Public Affairs of Transat	13,675
Jean-François Lemay <i>Québec, Canada</i>	2011	President of Air Transat A.T. Inc.	40,750
Denis Pétrin <i>Québec, Canada</i>	1990	Vice-President, Finance and Administration and Chief Financial Officer of Transat	63,227

(1) The number of shares indicated is given as at October 31, 2017, and is based on the declarations of our executive officers. It should be noted that the number of shares mentioned does not include shares purchased during the year by the executive officers under the Transat Share Purchase Plan for the Benefit of All Employees or Executives or awarded at the beginning of the year under the Transat Permanent Stock Ownership Incentive Plan for Top Managers.

(2) Starting November 1, 2017, Mr. Bruno Leclaire will be acting as Chief Information and Digital Solutions Officer since Mr. Bellefeuille will retire in December of 2017.

(3) Since July 31, 2017, Mr. De Montigny has been acting as Vice-President, Business Development on a contractual basis; for more details, see section 9.2.1 of this Annual Information Form.

(4) Starting November 1, 2017, Ms. Annick Guérard will be acting as Chief Operating Officer of Transat, in addition to her duties as President of Transat Tours Canada.

With the exception of Messrs. Jean-Marc Eustache, Michel Bellefeuille, Bernard Bussi res, Andr  De Montigny, Daniel Godbout and Denis P trin, who over the past five years have had the principal occupation indicated opposite their name, the other executive officers of Transat held the following positions:

- Mr. Joseph Adamo was the Vice-President, Marketing and E-Commerce of Transat Tours Canada from November 2011 to October 2014 and was also the General Manager of Transat Distribution Canada since June 2013. Since October 20, 2016, he is the President and General Manager of Transat Distribution Canada. Since May 1, 2017, he is the President of Transat Distribution Canada inc. and the Vice-President and Chief Distribution Officer of Transat Tours Canada Inc.;
- Mrs. Annick Gu rard was the Vice-President, South Products from November 2011 to December 2012 of Transat Tours Canada and, thereafter, she was the General Manager of Transat Tours Canada from December 2012 to October 2016. In 2016, she was appointed President and General Manager of Transat Tours Canada. On November 1, 2017, she was appointed Chief Operating Officer of Transat A.T. Inc.;
- Mr. Christophe Hennebelle held the position of Director, Human Resources of Look Voyages, from November 2009 to July 2014, the position of Director, Human Resources of Transat France and, from August 2014 to June 2016 the position of Vice-President, Human Resources and Talent Management of



Transat. Since June 23, 2016, he is the Vice-President, Human Resources and Public Affairs of Transat; and

- Mr. Jean-François Lemay held the position of General Manager of Air Transat from April 2013 to October 2016 and also held the position of Vice-President, Human Resources and Talent Management of Transat from October 2011 to August 2014. From October 2003 to October 2011, he was a Partner at Dunton Rainville practising in administrative and employment law. Since October 20, 2016, he is the President of Air Transat.

9.3 CEASE TRADE ORDERS OR BANKRUPTCIES

To Transat's knowledge, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, as at the date of the AIF, or was, within 10 years before the date of the AIF, a director or executive officer of any company that:

- (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while that person was acting in that capacity and was in effect for a period of more than 30 consecutive days;
- (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after that person ceased to act in that capacity, was in effect for a period of more than 30 consecutive days and resulted from an event that occurred while that person was acting in that capacity; or
- (iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets while that person was acting in that capacity or within a year of that person ceasing to act in that capacity.

9.4 PENALTIES OR SANCTIONS

To the best of the knowledge of the Corporation, no director or executive officer of Transat has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

9.5 PERSONAL BANKRUPTCIES

To the best of Transat's knowledge, no director or executive officer has declared bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

10. LEGAL PROCEEDINGS

In the normal course of business, the Corporation is exposed to various claims and legal proceedings. These disputes often involve numerous uncertainties and the outcome of the individual cases is unpredictable. According to management, these claims and proceedings are adequately provided for or covered by insurance policies and their settlement should not have a significant negative impact on the Corporation's financial position, subject to the paragraph hereunder. The Corporation has directors' and officers' liability insurance as well as professional liability insurance and the amount of coverage under said insurance policies is usually sufficient to pay the amounts the



Corporation may be required to disburse in connection with these lawsuits. In all these lawsuits, the Corporation has and will continue to vigorously defend its position.

The Corporation is currently involved in a particular litigation in which Plaintiffs allege misappropriation of confidential information and improper solicitation of employees. Although the Amended Complaint fails to disclose a specific amount of monetary damages, Plaintiffs' principal, during his deposition, asserted that the damages sought were at least \$30 million USD. The Corporation is of the view that the allegations are not well-founded and lack merit. As a result, it will continue to vigorously defend the lawsuit. The Corporation is also of the view that Plaintiffs have not provided sufficient evidence to date to substantiate the whole of their claim or the quantum of damages being sought. At this stage, it is not possible to determine with any degree of certainty the extent of any financial liability that may result should the Corporation be unsuccessful in its defense of this lawsuit.

10.1 OTHER

From time to time, the Corporation is audited by the tax authorities, who raise questions regarding the treatment of certain transactions for tax purposes. Some of these questions could result in substantial costs, which will remain uncertain until one or more events occur or do not occur. Even though the outcome is difficult to predict with certainty, the tax claims or risks that will probably have an adverse outcome are accounted for by the Corporation according to the best possible estimate of the amount of the loss. The tax deductibility of the losses the Corporation reported during past years resulting from investments in asset-backed commercial paper was challenged by the tax authorities and notices of assessment were received to this effect during the fiscal year. This situation, which could result in an expense of approximately \$16.2 million, is not provisioned, because the Corporation intends to defend itself vigorously and firmly believes it has sufficient facts and arguments to conclude that the final decision will probably be in its favour. However, this situation resulted in a disbursement of \$15.1 million during the year ended October 31, 2015. This amount is accounted for as income tax receivable as at October 31, 2017.

11. TRANSFER AGENT AND REGISTRAR

As at the date of this AIF, the transfer agent and registrar for Transat's shares is AST Trust Company, 2001 Robert-Bourassa Blvd., Suite 1600, Montreal, Québec H3A 2A6. Their registrar offices are located in Toronto, Montreal, Calgary and Vancouver.

12. INTERESTS OF EXPERTS

Ernst & Young LLP is the accounting firm that prepared the auditors' report to shareholders with respect to the Corporation's consolidated financial statements for the years ended October 31, 2017, and 2016 included in the Corporation's 2017 Annual Report. Ernst & Young LLP has confirmed to the Corporation that it is independent within the meaning of the Rules of Professional Conduct of the *Ordre des comptables professionnels agréés du Québec*.

13. MATERIAL CONTRACTS

As at the date of this Annual Information form, we have entered into ten (10) airplane leases that are considered to be material. These airplane leases result from an agreement entered into between Air Transat and Thomas Cook Airlines Limited, pursuant to which Air Transat will lease a total of ten (10) Airbus A321neo LR aircraft. For a detailed description of the Airbus A321neo LRs and the role that they play in the Corporation's fleet strategy, please see the section entitled "Air Transportation" in this Annual Information Form.

Other than the agreements entered into in the normal course of business and the ten aircraft leases mentioned above, no other material agreement was entered into in fiscal 2017.

14. FORWARD-LOOKING INFORMATION

Certain statements in this AIF, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's and its subsidiaries' current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospective clients, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

Forward-looking information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including perceptions of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances.

By its nature, forward-looking information is subject to inherent risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions may prove to be inaccurate, that assumptions may be incorrect and that objectives, strategic goals and priorities may not be achieved. A variety of material factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market condition in North America and internationally, interest rates and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial conditions (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes (including adoption of International Financial Reporting Standards), business competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list of factors is not exhaustive of all factors that may affect the Corporation's and its subsidiaries' forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties facing the Corporation's business is provided in its disclosure materials, including this AIF and its most recent Management's Discussion and Analysis, filed with the securities regulatory authorities in Canada, available on the SEDAR website at sedar.com.



15. APPOINTMENT OF SINGLE LEAD DIRECTOR AND AUDIT COMMITTEE DISCLOSURE

15.1 APPOINTMENT OF SINGLE LEAD DIRECTOR

In 2012, Transat's Board of Directors adopted a policy amending its Board governance structure to provide for the appointment of a single Lead Director instead of three (3) Lead Directors. Since this amendment came into force, the members of the Board of Directors now elect only one Lead Director each year from among the independent directors after the annual and special meeting of shareholders.

The Lead Director is responsible, among other things, to set the agenda of the Board meetings in conjunction with the Chairman and President and Chief Executive Officer. This Lead Director, if and when appropriate, has the power to call, set the agenda for and chair meetings of the independent directors and chair in-camera sessions of the Board without management so as to give the directors an opportunity to fully and frankly discuss certain issues and provide feedback and direction to management. Jean-Yves Leblanc was appointed Lead Director on March 15, 2012, and was re-elected on March 14, 2013, March 13, 2014, March 12, 2015, March 10, 2016, and March 16, 2017.

15.2 CHARTER OF THE AUDIT COMMITTEE

The latest version of Transat's Charter of the Audit Committee was approved at the meeting of such committee held on September 8, 2015. The Board of Directors adopted and ratified the Charter of the Audit Committee on September 9, 2015. A copy of the Charter of the Audit Committee is attached as Schedule I to this AIF.

15.3 COMPOSITION OF OUR AUDIT COMMITTEE

Our Audit Committee is currently composed of unrelated, independent and financially literate directors, namely Messrs. Jean-Yves Leblanc (Lead Director and Chairman), Raymond Bachand, Lucie Chabot and Jacques Simoneau.

15.3.1 Financial Literacy

Jean-Yves Leblanc. Mr. Leblanc holds a Bachelor of Mechanical Engineering degree from Université Laval, a Master of Industrial Engineering from the University of Toronto and a Master of Business Administration (MBA) from the University of Western Ontario. He was President and Chief Operating Officer of Bombardier Transportation from 1986 to 2001 and served as Chairman of its Board from 2001 to 2004. From 1982 to 1985, he worked as an executive officer for Marine Industries where he served as Vice-President, Hydro-Electric Division, and Executive Vice-President and Chief Operating Officer of the Company respectively. Prior to that, from 1973 to 1981, he was Vice-President, then President, of Sométal Atlantic Ltée. Mr. Leblanc serves as a director of various corporations including Groupe Kéolis S.A.S. (France), Pomerleau Inc., Premier Tech Ltd. and Emballage St-Jean Ltée. He is Chairman of the Audit Committee of Groupe Kéolis S.A.S. and of the Audit Committee of Premier Tech Ltd. and serves on the Audit Committee of Pomerleau Inc. This experience allowed Mr. Leblanc to acquire the necessary competencies to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

Raymond Bachand. Mr. Bachand received his law degree from the Université de Montréal in 1969 and became a member of the Québec Bar the following year. He obtained a Masters of Business Administration (MBA) degree from Harvard University in 1972, followed by a Doctorate of Business Administration (DBA) degree in 1981. He taught at the École des hautes études commerciales de Montréal between 1972 and 1977, held the position of Chief of Staff to the Québec Minister of Labour and Manpower between 1977 and 1979, and served as Special Secretary in the Office of the Premier of Québec between 1979 and 1981. In the business world, he was Vice-President of Métro-Richelieu between 1981 and 1989 and Culinar between 1990 and 1993. He joined the Fonds de solidarité des travailleurs du Québec (FTQ) in 1994 as First Vice-President and Chief Investment Officer, and was appointed

President and Chief Executive Officer from 1997 to 2001. He was also President and Chief Executive Officer of Secor Conseil from 2002 to 2005.

He was a director of SSQ - Life from 1995 to 2002., a director of Gaz Métropolitain from 1987 to 1990, a director of the Fonds de solidarité FTQ from 1983 to 2001, and a member of the executive committee (1987-2001), chair of the audit committee (1988-1994) as well as a member of the Board of Directors and member of the Audit Committee of the Canadian Public Accountability Board from 2003 to 2005.

Mr. Bachand was elected to the Québec National Assembly for Outremont on December 12, 2005. He was Minister of Economic Development, Innovation and Export Trade from February 2006 to June 2009, Minister of Tourism from April 2007 to December 2008, Minister responsible for the Montreal region from April 2007 to September 2012, Minister of Finance from April 2009 to September 2012 and Minister of Revenue from August 2010 to September 2013. He retired from political life on September 13, 2013.

Mr. Bachand joined the firm Norton Rose Fulbright on January 20, 2014, as a strategic advisor. He has also been President of the Institut du Québec, a partnership between the Conference Board of Canada and HEC Montréal, since February 2014, Chairman of the Board of Tourisme Montréal since June 2014 and a member of the Board of Directors as well as the Risk Management Committee and the Conduct Review and Corporate Governance Committee of National Bank of Canada since October 29, 2014.

Lucie Chabot. Lucie Chabot is Vice-President and Chief Financial Officer of SAIL Outdoors Inc., a major Canadian retailer of sporting goods and outdoor equipment, and as such is responsible for the firm's accounting and financial services, human resources and information technology.

She previously served as President of Distribution Vinearius Inc., a wine accessories distributor she founded. She also worked at Intertrade Systems Inc. from 2004 to 2007 as General Manager after having served as Vice-President, Finance and Human Resources. For ten years, she was a co-shareholder of Strator Consulting Group Inc., a consulting firm in the retail, distribution and services field, whose main client was Caisse de dépôt et placement du Québec. In this capacity, she was involved in several financing and investment transactions. From 1986 to 1994, she worked as Manager and Vice-President, Finance, of the Canadian leader in sporting goods and sportswear retailing, Sports Experts Inc. She began her career at Clarkson Gordon (EY) as an auditor in 1981 and joined Provigo's internal audit group in 1984. Ms. Chabot is a graduate of Université Laval and a member of the Ordre des comptables professionnels agréés du Québec. She was named to the National Honour Roll of the Canadian Institute of Chartered Accountants, ranking 11th in Canada in 1982.

These experiences allowed Mrs. Chabot to acquire the necessary competencies to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

Jacques Simoneau. Dr. Simoneau has a Bachelor of Science degree and a Master of Applied Science degree from Université Laval and a Ph.D. from Queen's University. He has completed the Directors Education Program at McGill University and is certified ICD.D by the Institute of Corporate Directors. He also participated in several intensive executive training courses in finance, accounting, marketing and leadership. From 1982 to 1989, he taught at Royal Military College and then joined Alcan where he held research and management positions. In 1994, he was appointed as Director, Business Development at Advanced Scientific Computing. In 1995, Dr. Simoneau focused his career in investments. In 1995, he was appointed as President and Chief Executive Officer and a Director of *Société Innovatech du sud du Québec*, a venture-capital fund. In 1999, he joined the Fonds de solidarité FTQ as Group Vice-President for Technology Investment, and was then promoted to Senior Vice President, Industry and Services in 2000. In 2004, he became President and Chief Executive Officer of Hydro-Québec CapiTech, the corporate venture capital subsidiary of Hydro-Québec. In 2006, Dr. Simoneau joined the Business Development Bank of Canada (BDC) as Executive Vice-President, Investment, where he was responsible for the venture capital and subordinate financing portfolios until 2010. He also served on BDC's Executive Committee, Asset and Liability Committee and Pension



Fund Investment Committee. Dr. Simoneau is currently President & Chief Executive Officer and a director of Gestion Univalor, L.P., a director and member of the Audit Committee of Azimut Exploration Inc. (TSXV:AZM), and a director of Génome Canada and Edilex Inc.

During his career, Dr. Simoneau was actively involved in analyzing, evaluating, structuring and negotiating investments for private and publicly traded corporations. In doing so, he examined and evaluated financial statements, business and strategic plans, and questioned management thereon. He served on the Board of Directors of six public companies and 15 private companies and on more than 10 committees and boards of various organizations. This experience allowed Dr. Simoneau to acquire the necessary competencies to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

15.4 COMPLAINT PROCEDURES FOR ACCOUNTING AND AUDITING MATTERS

In response to National Instrument 52-110 – *Audit Committees*, and as part of our efforts to maintain a high standard of good corporate governance, we developed a whistleblower policy and reporting procedures that allow Transat employees to report, in a confidential manner, any concerns they may have regarding questionable accounting practices, internal accounting controls or auditing matters. Complaints may be addressed separately to the attention of the Vice-President, General Counsel and Corporate Secretary of Transat or to the Senior Director, Internal Audit and Risk Management. At each Audit Committee meeting, members receive a report indicating whether any complaints have been filed regarding accounting or auditing matters. Moreover, as part of Transat's Code of Ethics, we also strengthened the whistleblower policy by providing a new email address, "Ethic@transat.com", through which only three persons will receive notification of this reporting: the Vice-President, Human Resources, the Vice-President, General Counsel and Corporate Secretary and the Senior Director, Internal Audit and Risk Management. The Code of Ethics must be reviewed annually by all employees, who are required to sign a certificate to that effect.

15.5 POLICY RESPECTING THE PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES

Transat's Audit Committee has a Policy Respecting the Pre-Approval of Audit and Non-Audit Services. Transat's Risk Management and Corporate Governance Committee also approved this policy on November 16, 2004, and its Board of Directors adopted and ratified the said policy on the same date. This policy prohibits the Corporation from engaging the external auditors to provide certain non-audit services to the Corporation and its subsidiaries, including bookkeeping, or other services related to the accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, actuarial services, internal audit outsourcing services, investment banking services, management or human resources functions, legal services and expert services unrelated to the audit. The policy allows the Corporation to engage the external auditors to provide non-audit services, other than the prohibited services, only if the services have specifically been pre-approved by the Audit Committee.

15.6 EXTERNAL AUDITOR SERVICE FEES

Ernst and Young LLP have been Transat's auditors since its incorporation. They have confirmed their independence with Transat's Audit Committee.

For the fiscal years ended October 31, 2017, and October 31, 2016, Ernst & Young LLP billed the following fees for audit, audit-related, tax and all other services provided to the Corporation:



	2017	2016
Audit Fees ⁽¹⁾	\$865,000	\$1,076,000
Audit-Related Fees ⁽²⁾	\$58,000	\$85,000
Tax Fees ⁽³⁾	\$729,000	\$435,000
All Other Fees ⁽⁴⁾	—	—
TOTAL	\$1,652,000	\$1,596,000

(1) Audit fees include fees for professional services rendered by the external auditors for the audit of the Corporation's financial statements or other services that are normally provided by the external auditors in connection with statutory or regulatory filings or engagements. These fees also include fees for services rendered in connection with the interpretation of accounting and financial reporting standards.

(2) Audit-related fees include fees for assurance and related services that are performed by the Corporation's external auditors. These services include accounting consultations in connection with acquisitions, special audits and due diligence.

(3) Tax fees include fees for assistance with tax planning (restructuring and discontinued operations), tax opinions as well as the preparation and review of income and other tax returns.

(4) This category of fees would normally include professional services rendered by the Corporation's external auditors, which are not reported under the captions "audit fees", "audit-related fees" and "tax fees". No such services were rendered to the Corporation for the fiscal years ended October 31, 2017, and October 31, 2016.

16. ADDITIONAL INFORMATION

Additional financial information may be found in our comparative financial statements and Management's Discussion and Analysis for the year ended October 31, 2017, both of which are contained in the 2017 Annual Report. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Transat securities and securities authorized for issuance under equity compensation plans, will be contained in our Management Proxy Circular for the annual and special meeting of shareholders to be held on March 15, 2018.

Copies of these documents and additional information relating to Transat may be found on the SEDAR website at sedar.com and may also be obtained upon request from the Corporate Secretary of the Corporation at the following address: Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montreal, Québec, Canada H2X 4C2.



SCHEDULE I – CHARTER OF THE AUDIT COMMITTEE OF TRANSAT A.T. INC.

Constitution

The Board of Directors established an audit committee (the “**Audit Committee**”) composed solely of independent directors, that is, who have no direct or indirect material relationship with the Corporation¹ and whose members and Chair are appointed by the Board of Directors. The Audit Committee is composed of no less than three (3) members.

The Audit Committee helps the Board of Directors discharge the oversight responsibilities it owes to shareholders, employees, and all interested parties. Such oversight responsibilities pertain to the financial statements of the Corporation, internal control systems, identification of risks (in collaboration with the Risk Management and Corporate Governance Committee), the statutory audit of the annual financial statements and compliance with the laws, regulations and codes as established by management and the Board.

Role of the stakeholders

Management is responsible for ensuring the integrity of the financial information and the efficiency of the Corporation's internal controls. The external auditors are responsible for auditing and certifying the fair presentation of the Corporation's financial statements and, in carrying out this mission, for evaluating the internal control procedures to determine the nature, scope and chronology of the audit procedures used. The Audit Committee is responsible for supervising the participants in the preparation procedure of the financial information and reporting thereon to the Board of Directors of the Corporation.

The President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer of the Corporation are invited to and heard at the meetings of the Audit Committee. From time to time, the President and Chief Executive Officer or the Vice-President, Finance and Administration and Chief Financial Officer or any other officer of the Corporation shall appear before the Audit Committee when required to do so. Moreover, the Audit Committee meets on a quarterly and annual basis with the Corporation's external and internal auditors, at the committee's option (but no less than once a year), without the presence of management. Each meeting of the Audit Committee provides for an in camera session to be held, as needed, without the presence of the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer or of any other officer.

¹ A material relationship means a relationship that could, in the opinion of the Board of Directors, be reasonably expected to interfere with the exercise of independent judgment of a member of the committee. The following individuals are considered to have a material relationship with the Corporation: (a) an individual who is, or has been, an employee or executive officer of the Corporation in the past three (3) years, or whose immediate family member is, or has been, an executive officer of the Corporation in the past three (3) years; (b) an individual who is, or has been, or whose immediate family member is, or has been, a member of an affiliated entity or a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless a period of three (3) years has elapsed since the end of such individual's relationship with the internal or external auditor, or of the auditing relationship; (c) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the current executive officers of the Corporation serves on the compensation committee of such entity, unless a period of three (3) years has elapsed since the end of the service or employment; (d) an individual who has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensation fee from the Corporation or any subsidiary of the Corporation, other than remuneration for acting in his or her capacity as a member of the Board of Directors or of any committee of the Board of Directors, or as a part-time Chair or Vice-Chair of the Board of Directors or of any committee of the Board of Directors; (e) an individual who receives, or whose immediate family member who is employed as an executive officer of the Corporation receives, more than seventy-five thousand dollars (\$75,000.00) per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or of any committee of the Board of Directors, or as a part-time Chair or Vice-Chair of the Board of Directors or of any committee of the Board of Directors, unless a period of three (3) years has elapsed since he or she ceased to receive more than seventy-five thousand dollars (\$75,000.00) a year in such compensation; (f) an individual who is a member of an affiliated entity of the Corporation or of any of its subsidiaries. The foregoing is a summary of the rule. For more details, see subsection 1.4 of Regulation 52-110 respecting Audit Committees.

The Audit Committee shall ensure, with the assistance of management and the external auditors, that the financial statements fairly present the Corporation's financial position in accordance with International Financial Reporting Standards ("IFRS") (including their evaluation of the quality of the accounting principles and policies adopted, the consistency of the accounting estimates and the clarity of the financial information disclosed). Furthermore, the Audit Committee shall enquire of the external auditors about the results of the annual audit and any other matters, which must be disclosed to it pursuant to Canadian generally accepted auditing standards ("GAAS").

The auditors are appointed each year by the shareholders at the annual meeting based on the recommendation of the Board of Directors, following the Audit Committee's opinion. Only shareholders may remove the auditors from office.

When the auditors resign or are about to be removed or replaced, they should deliver to the Corporation, with a copy to the Audit Committee, a written declaration indicating the grounds for their resignation or their objection to the removal or replacement².

The directors shall promptly fill any vacancy in the position of external auditor.

Powers

The Audit Committee has all the powers and duties conferred on it by the laws governing the Corporation. Within the performance of its duties, the Audit Committee has the right to examine the books, registers, and accounts of the Corporation and its subsidiaries and to discuss them, as well as any other matter regarding the financial situation of the Corporation and its subsidiaries, with the officers and auditors of the Corporation and its subsidiaries.

The Audit Committee has the power to communicate directly with the internal auditors, as the case may be, and the external auditors.

Financial Literacy

All members of the Audit Committee are financially literate³.

Mandate

The duties of the Audit Committee are as follows:

- I. Recommend to the Board of Directors the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or certification services;
- II. Recommend to the Board of Directors the compensation of the external auditors;
- III. Review, with the Corporation's external auditors, the approach and the scope of their audit plan and report to the Board of Directors on any material reservations the Audit Committee may have, or which the external auditors may have expressed regarding their work;
- IV. Resolve disagreements between management and the external auditors regarding financial information;

² Under the rules stated in National Instrument 51-102 -- *Continuous Disclosure Obligations*.

³ An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

- V. Review and recommend acceptance to the Board of Directors of the audited annual financial statements, as well as all other financial statements and reports that may require review by the Audit Committee under the applicable laws or in respect of which the Board of Directors requests a review and any financial information pertaining thereto; including the press release, message to shareholders and management's discussion and analysis for annual report purposes, prior to publication;
- VI. Obtain the annual certificate signed personally by the Vice-President, Finance and Administration and Chief Financial Officer and by the President and Chief Executive Officer pursuant to the National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings;
- VII. Review and recommend acceptance to the Board of Directors of the unaudited quarterly financial statements and any related financial information, including the press release, message to shareholders and management's discussion and analysis for quarterly report purposes;
- VIII. Obtain the certification of the interim (quarterly) documents signed personally by the Vice-President, Finance and Administration and Chief Financial Officer and by the President and Chief Executive Officer pursuant to the National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings;
- IX. Receive and examine the reports of the external auditors following their year-end audit and their interim review, as the case may be, and ensure follow-up on the letter they subsequently address to management containing the latter's comments. Also ensure, with the assistance of management and the external auditors, that these financial statements fairly present the financial position of the Corporation according to IFRS. Furthermore, the Audit Committee evaluates the work of the external auditors as to quality, and not just acceptability, of the accounting principles and policies adopted by the Corporation, the consistency of the accounting estimates and the clarity of the financial information disclosed in the financial statements. The Audit Committee ensures that the procedures performed by the external auditors for the audit and the interim review, as the case may be, as well as the nature of the items communicated to the Audit Committee, are in accordance with GAAS;
- X. Supervise the internal auditor and monitor the scope of the plan and review the work of the internal audit functions. The internal auditor has the responsibility, among others, to assess the internal controls put in place by management to:
- determine whether they are effective and efficient; and
 - identify and disclose any weaknesses noted to the Audit Committee and the parties concerned;
- XI. Oversee follow-up of the policy respecting the external communication of financial information and ensure that the quality, scope and communication process are in keeping with the said policy;
- XII. Draft and ensure follow-up of a policy on complaint procedures for accounting and auditing matters for the Corporation and its subsidiaries and ensure compliance therewith;
- XIII. Establish procedures for the confidential submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- XIV. Evaluate annually the competence and independence and quality of the work of the external auditors in the performance of their duties and recommend to the Board of Directors, if it is deemed appropriate, to call a shareholders' meeting in order to consider the removal of the external auditors;

- XV. Obtain annual confirmation of the independence of the Corporation's external auditors, including the filing of any written confirmation required by the standards and by-laws;
- XVI. Receive and review the quarterly report of the Vice-President, Finance and Chief Financial Officer and study, if applicable, the contingent liabilities of the Corporation and its subsidiaries, the acquisition and disposition of assets, the risk factors that could influence the financial results or financial structure of the Corporation, the redemption of shares and derivatives, and review the level of provisions recorded in the Corporation's accounts and assess their reasonableness;
- XVII. Identify and evaluate, in collaboration with the Risk Management and Corporate Governance Committee, the principal financial risk factors pertaining to the Corporation's business and approve the strategies and measures proposed to manage such risks, including, in particular, those related to the derivatives relating to fuel, foreign currency and interest and any other factor considered relevant. Furthermore, the Audit Committee shall be kept informed by management, either on request or periodically, regarding the management of the Corporation's other material risks;
- XVIII. Review the status of capital expenditures;
- XIX. Review the status of current and potential litigation and insurance coverage;
- XX. Retain independent counsel and external advisors or consultants, whose compensation it sets, to assist it in its duties, when necessary;
- XXI. Examine, with management and the external auditor, the new financial or regulatory requirements that could affect the Corporation's financial reporting;
- XXII. Ensure that management of the Corporation maintains effective internal control and risk management systems, see to the efficient operation of the internal control system and periodically receive from management and, as the case may be, from the internal auditor, confirmation as to:
- the efficiency of operations;
 - the reliability of the financial information disclosed;
 - compliance with laws and regulations;
- XXIII. Review the loans, financings, granting of security, guarantees and other material financial commitments and ensure that the Corporation and its subsidiaries are in compliance with their obligations;
- XXIV. Maintain structures and procedures in place to meet separately with the President and Chief Executive Officer, the Vice-President, Finance and Administration and Chief Financial Officer, and the internal auditor and the external auditors;
- XXV. Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- XXVI. Approve the audit services, which may be provided by the external auditors within the framework of their independence and the restrictions imposed on non-audit services. "Audit services" means the professional services rendered by the external auditors for the audit and review of the issuer's financial statements or services that are normally provided by the external auditors in connection with statutory and regulatory filings or engagements.

The external auditors may perform all other non-audit services, including taxation services, provided that the services offered are pre-approved by the Audit Committee⁴.

Moreover, the Audit Committee shall oversee the audit engagement, as needed, and approve, where applicable, any change in the conditions and fees resulting from a change in the scope of the audit, the corporate structure, or any other element.

The non-audit services that are prohibited include, on the date hereof:

- bookkeeping or other services related to the accounting records or the financial statements;
- valuation services, opinions on the fairness of the price offered or reports on contributions in kind;
- internal audit outsourcing services;
- management functions;
- human resources services;
- expert services prohibited by regulatory authorities;
- design and implementation of a financial information system;
- legal services;
- actuarial services; and
- brokerage, investment counsel and investment agreement services;

XXVII. Review, with the Corporation's external auditors, the findings resulting from their audit, if any, and report to the Board of Directors on the following points:

- the effectiveness of the registers and the accounting, internal control and information systems of the Corporation and the extent to which such registers are appropriately kept and such systems are uniformly applied;
- in collaboration with the Human Resources and Compensation Committee, the competence and efficiency of personnel assigned to finance, accounting and internal control of the activities of the Corporation; and
- examine any other issue or perform any other work that the Board of Directors may deem appropriate to entrust to the Audit Committee from time to time.

Annual Work Program

The Audit Committee has elaborated and adopted its annual work program, which appears in the Corporation's Corporate Governance Manual.

⁴ For this purpose, the Audit Committee has adopted a Policy Respecting the Pre-Approval of Audit Services and Non-Audit Services.



Additional Comments

The Audit Committee approves the disclosure policy and reviews it periodically. When a follow-up is required of the Audit Committee, the latter coordinates the appropriate solution and supervises disclosure to ensure the consistency of any information that is disseminated regarding the Corporation.

