

2021 Annual Information Form



Transat A.T. Inc.

Annual Information Form

For the year ended October 31, 2021

December 8, 2021

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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. as well as any of its subsidiaries, or to Transat A.T. Inc. alone, as the context may require. Unless otherwise indicated, all dollar amounts referred to in this AIF are expressed in Canadian dollars. Unless otherwise indicated, the information contained in this AIF is reported as at October 31, 2021, our financial year-end. The following is a list of Transat's 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, Canadian Affair, Club Voyages, Marlin Travel/Voyages Marlin, Trafictours, Transat, Transat Holidays USA, Turissimo, Voyages en Liberté, Transat Travel/Voyages Transat and TravelPlus. Any other trademarks, designs or corporate, trade or domain names used in this AIF are the property of their owners.

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:

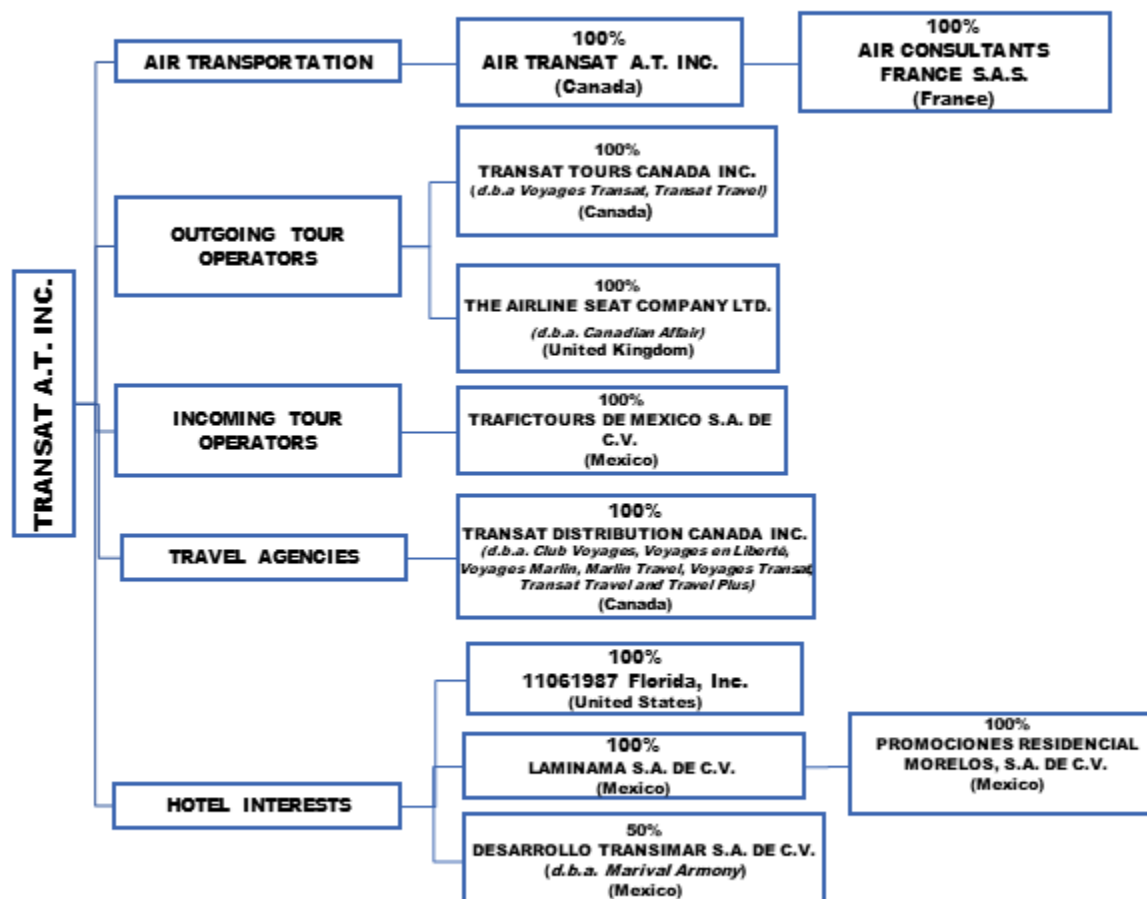
- (i) change its name to “Transat A.T. Inc.”;
- (ii) establish the number of directors at a minimum of nine (9) and a maximum of fifteen (15) and allow the Board of Directors to appoint directors during a given year;
- (iii) provide for the creation of an unlimited number of Preferred Shares issuable 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*”);
- (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; and
- (vii) amend its Articles by filing articles of arrangement in order to adjust the current restrictions on the issuance and transfer of shares of public airline companies for Transat to retain the status of “Canadian” corporation, following royal assent received on May 23, 2018 of the *Transportation Modernization Act*, S.C. 2018, c. 10 (the “*Transportation Modernization Act*”), which amended the definition of “Canadian” provided in the *Canada Transportation Act* in order to raise the threshold of voting interests in an air carrier that may be owned and controlled by non-Canadians while retaining its status of “Canadian” corporation, while also establishing specific limits related to such interests.

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.



2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Holiday Travel Industry

The holiday travel industry consists primarily of air carriers serving holiday travellers, mainly for tourism, vacation or to visit family and friends, as well as tour operators, travel agencies (both in-person and online), destination service companies, hoteliers and airlines. Each of these subsectors includes companies with different operating models.

2.2 Core Business, Vision and Strategy

2.2.1 Core Business

Founded in Montréal 35 years ago, Transat has grown to become a holiday travel reference worldwide, particularly as an air carrier under the Air Transat brand. Voted World's Best Leisure Airline by passengers at the Skytrax World Airline Awards, it flies to international and Canadian destinations, striving to serve its customers with enthusiasm and friendliness at every stage of their trip or stay, and emphasizing safety throughout.

Transat has been Travelife-certified since 2018, renewing its fleet with aircraft considered the greenest in their category as part of a commitment to a healthier environment, knowing that this is essential to the integrity of its operations and the destinations it serves.

2.2.2 Strategy

In its 2022-2026 strategic plan, Transat set itself the objective of making the Corporation profitable again and complete its transformation to achieve a level of profitability that exceeds pre-pandemic levels, as well as grow in new markets. This phase must enable the Corporation to leverage those achievements after 2026 to propel Transat toward a new growth phase.

To that end, Transat will implement or continue certain changes:

- Refocus airline operations and redefine the network by ensuring a greater presence in Eastern Canada and Montréal and forging alliances to strengthen the network;
- Reduce costs and increase flexibility, particularly by renegotiating some commitments (fleet, real estate, etc.), by refocusing on airline businesses (discontinuation of the hotel division) and a significant simplifying of the organization;
- Optimize financing structure over the long term;
- Increase efficiency by streamlining the fleet and bringing its average age down, around two types of Airbus aircraft, improving aircraft usage, reducing seasonal fluctuations and enhancing revenue management practices.

The Corporation will continue to rely on and leverage its strengths:

- A leisure travel brand popular with travellers, at a time when vacations and visiting family and friends will be the driving factors for the rebound in air travel;
- A strong commitment to the environment since many years;
- Engaged teams with a history of strong sense of belonging to the Corporation;

- Long-term roots in Québec.

For fiscal 2022, which is the first year of the plan, Transat has set the following objectives and performance drivers:

1. Continue to resume operations by increasing volumes and employment levels during the winter and summer seasons to prepare for a return to pre-pandemic levels by 2023 at the latest.
2. Preserve liquidity and optimize cash to support the recovery and development of activities.
3. Continue to streamline the fleet, in particular with the addition of new A321neoLR aircraft and Mixed Fleet Flying accreditation, and prepare the necessary changes for the next five years.
4. Deploy the alliance strategy by initiating multiple interline or codeshare agreements.
5. Reconsider existing financing and optimize capital structure.
6. Deploy a global corporate responsibility strategy and set concrete objectives for decarbonizing our business.

2.3 Review of Objectives and Achievements for 2021

The main objectives and achievements for fiscal 2021 were as follows:

Obtain the regulatory authorizations necessary to close the transaction with Air Canada, operate in full compliance with the conditions set by Air Canada, and if applicable, complete the transaction

On April 2, 2021, the Corporation announced that the contemplated arrangement with Air Canada under the terms of the revised arrangement agreement between Transat and Air Canada dated October 9, 2020 [the “arrangement agreement”] had been terminated by mutual consent of Transat and Air Canada. The parties reached this agreement after having been advised by the European Commission that it would not approve the transaction. A copy of the termination agreement has been filed on SEDAR at www.sedar.com.

In connection with the termination of the arrangement agreement, Air Canada paid a \$12.5 million termination payment to the Corporation and agreed to waive its entitlement to a \$10.0 million termination fee in the event of an acquisition of Transat by a third party in the twelve months following termination of the arrangement agreement.

Continue efforts to reduce costs, preserve cash and tailor the offering to the volatile situation triggered by the COVID-19 pandemic

During the year ended October 31, 2021, four Airbus A330s and one Boeing 737-800 were returned to lessors early.

The Corporation continuously adjusted its flight program as the situation evolves. After having suspended for the second time its operations on January 29, 2021, following the Canadian government’s request to not travel to Mexico and the Caribbean, and the introduction of new quarantine measures and COVID-19 testing requirements, the Corporation gradually resumed its flights on July 30, 2021, offering a reduced program of international flights departing from Montréal and Toronto that it enhanced progressively, particularly in order to train its flight crews and be in a position to deploy a more significant winter program.

Throughout the fiscal year, the Corporation had negotiations with its suppliers, including aircraft lessors to benefit from cost reductions and changes in payment terms, and is continuing to implement measures to reduce expenses and investments.

The Corporation made use of the CEWS for its Canadian workforce, which enabled it, until October 23, 2021, to finance part of the salaries of its staff still at work and, until August 28, 2021, to offer employees on temporary layoff to receive a portion of their salary equivalent to the amount of the grant received, with no work required.

Maintain intact the capacity to operate independently and develop a medium- to long-term post-COVID-19 recovery plan

By securing the financing discussed in the following section and by implementing the measures described in the previous paragraph, the Corporation has the means to resume its operations, which it has been doing gradually since July 30, 2021, following a suspension for the second time in early 2021.

Through the use of the CEWS and proximity management of its teams, the Corporation has ensured that it has not only reduced its personnel costs in order to cope with the significant reduction in its revenues, but also that it has the staff required to handle the recovery amid a labour shortage.

In conjunction with these short-term efforts, the Corporation has developed a 2022-2026 strategic plan setting out the path for its recovery and growth in the years ahead.

Secure the long-term financing required for the post-COVID-19 recovery

As described in section 2.5 of this AIF, on April 29, 2021, the Corporation entered into an agreement with the Government of Canada that allows it to borrow up to \$700.0 million in additional liquidity through the LEEFF. In addition to the new funding, the amounts already drawn on the existing facilities remain in place and are extended for a period of two years from the implementation of the new financing. The ratios applicable to the existing facilities will be suspended for a period of 18 months. The undrawn credit under the short-term subordinated facility is cancelled. In total, the available financing therefore represents a maximum of \$820.0 million, of which \$650.0 million was drawn as at October 31, 2021.

Continue to resize the company in terms of fleet, workforce, installations and resources in line with the plan in the medium and long term

During the year ended October 31, 2021, four Airbus A330s and one Boeing 737-800 were returned to lessors early. These are in addition to the three Boeing 737-800s and one Airbus A330 that were returned in advance to their lessors during the fiscal year ended October 31, 2020. The Corporation also took delivery of ten Airbus A321neoLRs, including four during the year ended October 31, 2021. All these changes, plus the aircraft that the Corporation will take delivery of during fiscal 2022, will allow the Corporation to deploy a fleet adapted to the post-pandemic recovery.

In terms of workforce, the Corporation had a headcount of 5,100 pre-pandemic in Canada. As at October 31, 2021, it was reduced to about 4,300, 2,100 of which were active and 2,200 still temporarily laid off. During 2022, the Corporation intends to lay off some staff due to the still reduced business volume, while ensuring that it recruits the staff necessary to handle the greater workload and a prospective full recovery in the longer term.

In addition, the implementation of working from home has allowed the Corporation to review its real estate needs and renegotiate its property leases, resulting in a significant reduction in leased square footage in fiscal 2022, particularly in downtown Montréal and Toronto.

Redefine the financial structure of the hotel chain based on the new economic environment

On May 20, 2021, due to the change in strategic objectives and the decline in liquidity as a result of the COVID-19 pandemic, the Corporation's Board of Directors approved the discontinuation of the hotel division's operations.

2.4 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	credit facilities
Our balances of cash and cash equivalents not held in trust or otherwise reserved totalled \$433.2 million as at October 31, 2021.	For operational purposes, we can also rely on, among other resources, a \$50.0 million revolving term credit facility and a \$70.0 million subordinated short-term credit facility maturing on April 29, 2023. In addition, as described in the Financing section, on April 29, 2021, the Corporation entered into an agreement with the Government of Canada that allows it to borrow up to \$700.0 million in additional liquidity through the LEEFF. Section 7. Financial position, liquidity and capital resources of the MD&A and note 2 to the consolidated financial statements contain more detail on this issue.

Our non-financial resources include:

brand	structure	employees	supplier relationships
The Corporation has taken the necessary steps to foster a distinctive brand image and raise its profile, including its sustainable tourism approach.	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.	Our employees work together as a team and are committed to ensuring overall customer satisfaction and contributing to improving the Corporation's effectiveness. In addition, we believe that the Corporation has strong management.	We have maintained over 30 years of privileged relationships with many hotels at sun destinations and in Europe.

Subject to the going concern uncertainty described in Section 7. Financial position, liquidity and capital resources of the MD&A and note 2 to the consolidated financial statements, Transat has the resources it needs to meet its 2022 objectives and continue building on its long-term strategies.

2.5 Significant Financing Transactions

Funding of \$700.0 million from the Government of Canada

On April 29, 2021, the Corporation entered into an agreement with the Government of Canada that allows it to borrow up to \$700.0 million in additional liquidity through the LEEFF. The new fully repayable credit facilities made available by the Canada Enterprise Emergency Funding Corporation ["CEEFC"] under the LEEFF, which Transat would use only on an as-needed basis, are as follows:

Secured debt – LEEFF

An amount of \$78.0 million that may be drawn down up to October 29, 2022 in the form of a non-revolving and secured credit facility maturing on April 29, 2023; the facility is secured by a first-ranking charge on the assets of Canadian, Mexican, Caribbean and European subsidiaries of the Corporation, subject to certain exceptions. The facility bears interest at bankers' acceptance rate plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. This credit facility becomes immediately payable in the event of a change in control. The terms of the agreement require the Corporation to comply with certain financial ratios and covenants. As at October 31, 2021, the Corporation benefited from a temporary suspension of the application of certain financial ratios and covenants by its lenders until October 31, 2022 and \$44.0 million was drawn down under this credit facility.

Unsecured debt – LEEFF

An amount of \$312.0 million that may be drawn down up to October 29, 2022 in the form of a non-revolving and unsecured credit facility maturing on April 29, 2026, bearing interest at a rate of 5.0% in the first year, increasing to 8.0% in the second year, and by 2.0% per annum thereafter, with the possibility of capitalization of interest in the first two years. This credit facility becomes immediately payable in the event of a change in control. As at October 31, 2021, \$176.0 million was drawn down under the credit facility.

In the context of the financing arrangement related to the unsecured financing facility – LEEFF, the Corporation issued a total of 13,000,000 warrants for the purchase of an equivalent number of shares of the Corporation (subject to certain limitations described below), with customary adjustment provisions, at an exercise price of \$4.50 per share (representing the volume-weighted average trading price for the five trading days preceding the issuance of the warrants) over a 10-year period, representing 18.75% of the total commitment available under the unsecured debt – LEEFF. The warrants are to vest in proportion to the drawings that will be made, and 50% would be forfeited if the loan were to be repaid before April 29, 2022.

Unsecured credit facility related to travel credits

An amount of \$310.0 million in the form of an unsecured credit facility, which can be drawn down up to December 31, 2021, for the sole purpose of making refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom a travel credit was issued as a result of COVID-19. This credit facility matures on April 29, 2028 and bears interest at the rate of 1.22%. In the event the secured debt – LEEFF and the unsecured debt – LEEFF have not been repaid, this credit facility could become immediately payable in case of default related to the debt – LEEFF, including in the event of a change in control, and in the absence of a waiver by the lenders to enforce them or in the event of a change of control without the consent of the lenders. As at October 31, 2021, the credit facility was fully drawn down.

In connection with the arrangement of these credit facilities, the Corporation has made certain commitments, including:

- Making refunds to travellers who were scheduled to depart on or after February 1, 2020 and to whom travel credits have been issued due to COVID-19. The Corporation started making refunds in early May 2021. As per the agreement, to be eligible, customers had to indicate their desire for a refund before August 26, 2021;
- Complying with restrictions on dividends, stock repurchases and executive compensation;
- Maintaining active employment at its level of April 28, 2021.

Renewal of existing credit facilities

In addition to the new funding of \$700.0 million from the Government of Canada, the amounts already drawn on the existing facilities will remain in place.

Revolving credit facility

On April 29, 2021, the Corporation amended its \$50.0 million revolving credit facility agreement for operating purposes. The amended agreement, which expires on April 29, 2023, may be extended for a year at each anniversary date subject to lender approval and the balance becomes immediately payable in the event of a change in control. Under the terms of the agreement, funds may be drawn down by way of bankers' acceptances or bank loans, denominated in Canadian dollars and U.S. dollars. The agreement is secured by a first movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The facility bears interest at bankers' acceptance rate or at LIBOR in U.S. dollars plus a premium of 4.5% or at the financial institution's prime rate plus a premium of 3.5%. The terms of the agreement require the Corporation to comply with certain financial ratios and covenants. As at October 31, 2021, the Corporation benefited from a temporary suspension of the application of certain financial ratios and covenants by its lenders until October 31, 2022 and the credit facility was fully drawn down.

Subordinated credit facility

On April 29, 2021, the Corporation amended its subordinated credit facility for operating purposes, reducing the amount from \$250.0 million to \$70.0 million. The amended agreement expires on April 29, 2023 and becomes immediately payable in the event of a change in control. The agreement is secured by a second movable hypothec on the universality of assets, present and future, of the Corporation's Canadian, Mexican, Caribbean and European subsidiaries, subject to certain exceptions. The credit facility bears interest at the bankers' acceptance rate, plus a 6.0% premium, or the financial institution's prime rate, plus a 5.0% premium. Until October 31, 2022, an additional capitalizable premium of 3.75% will be added to interest. The terms of the agreement require the Corporation to comply with certain financial ratios and covenants. As at October 31, 2021, the Corporation benefited from a temporary suspension of the application of certain financial ratios and covenants by its lenders until October 31, 2022 and the credit facility was fully drawn down.

Off-balance sheet arrangements

As at June 29, 2021, the Corporation amended its annually renewable revolving credit facility agreement for issuing letters of credit, reducing the amount from \$75.0 million to \$74.0 million. Under this agreement, the Corporation must pledge cash totalling 100% of the amount of the issued letters of credit. As at October 31, 2021, \$38.2 million had been drawn down under the facility, \$30.7

million of which was to secure obligations under senior executives defined benefit pension agreements; this irrevocable letter of credit is held by a third-party trustee. In the event of a change of control, the irrevocable letter of credit issued to secure obligations under senior executive defined benefit pension agreements will be drawn down. As at October 31, 2021, the decrease reflects the payment of amounts previously guaranteed by the letter of credit for certain executives who retired during the year.

Following the Government of Canada funding and amendments to the existing revolving credit facility agreement and subordinated credit facility agreement, on May 28, 2021, the lender terminated the guarantee facility that allowed the Corporation to issue letters of credit to certain of its service providers, for a maximum term of three years and for a total amount of \$13.0 million, without pledging cash for the total amount of letters of credit issued. As at October 31, 2021, an amount of \$6.0 million was drawn down under this credit facility maturing on February 28, 2022.

For its U.K. operations, the Corporation has a bank line of credit for issuing letters of credit secured by deposits of £2.3 million (\$3.9 million), which has been fully drawn down.

As at October 31, 2021, the off-balance sheet arrangements, excluding agreements with suppliers and other obligations, had decreased by \$322.4 million compared with October 31, 2020. This decrease resulted primarily from the addition of four Airbus A321neoLRs to our fleet in 2021, combined with the strengthening of the dollar against the U.S. dollar.

3. THREE-YEAR HISTORY

Information on activities and other material events during the past three years is set out below.

RECENT EVENTS

November 2021

On November 23, 2021, Air Transat announced the launch of its new connectair by Air Transat service. Using this virtual interlining platform, travellers can now combine Air Transat flights with flights from partner airlines, such as easyJet and Avianca (a Colombian airline), to travel to even more destinations in Europe, North Africa, the Middle East, and Central and South America. The Corporation would like other partners to gradually join the platform to enhance the range of destinations.

On November 19, 2021, Air Transat and WestJet agreed to cooperate on a codeshare that will soon allow customers to book transatlantic travel involving both carriers on a single ticket with through-checked bags. This cooperation will bring more choice to consumers by enabling transatlantic codeshare connections above and beyond what the carriers offer with their own flights.

On November 2, 2021, Air Transat A.T. Inc. and SAF+ consortium ("SAF+ Consortium") announced an offtake agreement for 90% of the production of sustainable e-fuel produced by SAF+ Consortium in its first plant over the first 15 years of operation. The agreement, which also includes support for the project's development, confirms Air Transat's desire to reduce its environmental footprint and reaffirm its commitment to fight climate change by becoming the first airline in Canada to reserve a significant volume of e-fuel over a long period of time.

SAF+ Consortium previously announced one of the first sustainable e-fuels produced in North America. SAF+'s Consortium goal is to bring to market by 2025–2026 a synthetic kerosene whose carbon footprint is 80% lower than fossil kerosene by capturing 120,000 tons of CO₂ per year. SAF+ Consortium's technology involves producing a synthetic liquid fuel by capturing and combining CO₂

from industrial sources with green hydrogen produced in Quebec. While there are several types of sustainable fuels, e-fuel is a particularly promising sustainable fuel as it does not compete with other uses for its raw material.

FISCAL 2021

On October 7, 2021, Transat announced the appointment of Patrick Bui as Chief Financial Officer. Mr. Bui assumed his new role on November 15, 2021.

On September 28, 2021, Air Transat announced that it was awarded the title of World's Best Leisure Airline at the Skytrax World Airline Awards for the fourth time.

On July 30, 2021, Air Transat completed its first commercial flights after six months of inactivity due to travel restrictions caused by COVID-19.

On June 30, 2021, Transat announced that it ranked 21st on the 2021 list of the Best 50 Corporate Citizens in Canada, established annually by the Corporate Knights research firm. It is the only company in its industry to be included in this ranking that recognizes organizations with outstanding results in governance and in the management of human, natural and financial resources.

On June 23, 2021, the Corporation announced the departure of Denis Pétrin, Vice-President, Finance and Administration and Chief Financial Officer, who left the company on July 9, 2021, and the appointment of Jacques Simoneau as Vice-President of Finance and Administration and acting CFO.

On June 21, 2021, the Corporation announced that the ongoing discussions with Mr. Pierre Karl Péladeau concerning the potential acquisition of all of the shares of Transat through his company Gestion MTRHP Inc. had ended.

On June 1, 2021, Transat, 70% shareholder of TraficTours Canada Inc., announced that on May 31, 2021 it had acquired the 30% minority interest in the incoming tour operator held by the minority shareholder, following a mutual agreement between the two parties.

On May 26, 2021, the Corporation announced the implementation of the succession plan set up for Mr. Jean-Marc Eustache who retired and handed over the leadership of the Corporation to Ms. Annick Guérard.

On April 29, 2021, Transat announced that it had reached a financial agreement with the Canadian Enterprise Emergency Funding Corporation (CEEFC) to refund travellers who were scheduled to depart on or after February 1, 2020, to whom a travel credit had been issued due to COVID-19.

On April 29, 2021, Transat announced that it had entered into an agreement with the Government of Canada to borrow up to \$700 million in additional liquidity through LEEFF.

On April 2, 2021, the Corporation announced that the contemplated arrangement with Air Canada (the "Arrangement") under the Second Arrangement Agreement had been terminated by mutual agreement of Transat and Air Canada, effective immediately. The parties reached this agreement after having been advised by the European Commission that it would not approve the transaction.

In connection with the termination of the Second Arrangement Agreement, Air Canada agreed to pay a \$12.5 million termination payment to the Corporation and to waive its entitlement to a \$10 million termination fee in the event of an acquisition of Transat by a third party within the twelve months following termination of the Second Arrangement Agreement.

On February 18, 2021, the Corporation announced that it had extended the termination date of its \$250 million short-term loan facility by three months.

The facility had been arranged on October 10, 2020, with Export Development Canada and National Bank of Canada as lead arranger.

On February 11, 2021, Transat announced that the Canadian government approved the Arrangement with Air Canada contemplated under the Second Arrangement Agreement.

On January 29, 2021, Transat announced the complete temporary suspension of all scheduled flights and launched a repatriation operation of its customers at the request of the Canadian government and following the imposition of new quarantine and COVID-19 screening measures.

On January 26, 2021, Air Transat, was named the World's Best Leisure Airline. It is ranked 22nd on the Forbes annual list of Canada's Best Employers.

On December 18, 2020, the Corporation announced that the Superior Court of Québec had issued a final order approving the Arrangement with Air Canada. This arrangement was also approved by 91.05% of the votes cast by shareholders present in person or by proxy at the special meeting of Transat held on December 15, 2020. The arrangement therefore remained subject to the applicable regulatory approvals such as the approvals under the Canada Transportation Act and the European Union Council Regulation (EC) No. 139/2004, as well as certain customary and other closing conditions.

On December 15, 2020, Transat announced that an overwhelming majority of shareholders had voted in favour of the special resolution approving the Arrangement contemplated under the Second Arrangement Agreement, and pursuant to which Air Canada would have acquired all of the issued and outstanding Class A variable voting shares and Class B voting shares of Transat for \$5.00 per share, payable at the holder's option either in cash or shares of Air Canada or a combination thereof.

On December 9, 2020, Transat made a large donation of food items to Centraide of Greater Montreal, which redistributed them to the Réseau alimentaire de l'Est de Montréal for the Grande Boucle Solidaire. A total of some 500,000 items (meals, snacks, beverages, etc.), making up more than 100

pallets, were distributed. With the flight program of its subsidiary, Air Transat, reduced until spring, the Corporation decided to donate these food products, with an estimated value of \$600,000, to a worthy cause in the Greater Montreal area.

FISCAL 2020

On October 16, 2020, Transat announced that it was ranked 57th on Forbes magazine's annual list of the world's best employers, which placed it fifth in Canada, all categories combined.

On October 10, 2020, the Corporation announced that it had revised the arrangement agreement with Air Canada dated June 27, 2019, (the "First Arrangement Agreement"), as amended on October 9, 2020, to reflect current market and economic conditions and the devastating impact of the COVID-19 pandemic on the worldwide airline, travel and tourism industries. Under the terms of the binding agreement they entered into, which was unanimously approved by Transat's Board of Directors, Air Canada should have acquired all issued and outstanding shares of Transat for \$5.00 per share, payable at the holder's option either in cash or shares of Air Canada, or a combination thereof, to form a global Montreal-based combined corporation. The purchase price represented a premium of 31.6% over the 20-day volume weighted average price (VWAP) of Transat shares on October 8, 2020.

Transat also announced, at the same time, the implementation of a new \$250 million short-term loan facility.

On September 25, 2020, Transat announced that its customers would be able to benefit from a COVID-19 Emergency Medical Certificate of Insurance. Offered through Manulife, this insurance plan was designed to cover emergency medical and quarantine expenses at destination, in addition to providing assistance if COVID-19 is contracted during the trip.

On July 23, 2020, Transat made its first commercial flights, the same day it resumed

air operations after four months of inactivity. There were three international flights (Montreal-Toulouse, Montreal-Paris and Toronto-London) and three domestic flights (Montreal-Toronto, Toronto-Montreal and Toronto-Vancouver).

On July 17, 2020, Air Transat made its first two delivery flights fuelled by a kerosene blend containing 10% sustainable aviation fuel (SAF), a first for Air Transat.

On July 8, 2020, the Corporation and SAF+ Consortium announced the signing of the first Sustainable Aviation Fuel (SAF) offtake agreement in Canada. The Corporation considers the agreement a historical moment for the Canadian aviation industry since, to the Corporation's knowledge, it was the first time, a Canadian commercial airline had agreed to join forces with a clean fuel developer in reducing its environmental footprint.

On April 16, 2020, the Corporation announced its intention to make use of the Canada Emergency Wage Subsidy and to propose that its 4,000 employees who were temporarily laid off return to employment.

On April 2, 2020, the Corporation donated more than 44,000 masks and 301,000 gloves to the Quebec Ministry of Health and Social Services to support the fight against the COVID-19 pandemic.

On March 27, 2020, the Corporation, in collaboration with the Government of Canada, announced the deployment of special flights to Haiti and Honduras, as well as more flights to repatriate travellers to their country of origin in El Salvador and Guatemala.

On March 25, 2020, the Corporation announced the deployment of two special flights operated in collaboration with the Government of Canada. These flights were in addition to those already planned by the airline to return Canadians stranded in El Salvador and Guatemala back home.

On March 23, 2020, Transat announced that it temporarily laid off about 70% of its workforce in Canada. The final Air Transat flight prior to

the full suspension of its operations was scheduled for April 1, 2020.

On March 18, 2020, Transat announced the gradual suspension of Air Transat flights until April 30, 2020. This decision followed the Government of Canada's announcement that the country was closing its borders to foreign nationals, as well as similar decisions by several other countries where Transat operates.

On March 10, 2020, Air Transat was named the World's Best Leisure Airline for 2019 at the Skytrax World Airline Awards. It was ranked first in the "Large Organization - Transportation" category at the recent BIP Research-Institut de la confiance dans les organisations (Trust Organization Institute, known by its French abbreviation ICO) awards.

On January 29, 2020, Air Transat was named the World's Best Leisure Airline in 2019, ranking eighth on Forbes magazine's annual list of Canada's Best Employers, up by an impressive 43 positions compared with the past year. Meanwhile, in Quebec, the company jumped 10 spots into third place.

On December 19, 2019, the Corporation, inaugurated a brand new service between Vancouver and Costa Rica, consisting of a direct flight to San José and a second flight segment to Liberia.

On November 13, 2019, the Corporation earned the Performance + attestation from the ICI on recycle + program for a three-year period. Created in 2003 by RECYC-QUÉBEC, this official Government of Quebec recognition acknowledges initiatives by industries, businesses and institutions that have implemented responsible waste management measures. A third of fourth level Performance + ranking means that Transat has demonstrated excellent waste reclamation performance.

On November 4, 2019, the Corporation, announced having made its inaugural direct flight from Montreal to New Orleans the day before. Transat therefore became the only airline to offer a direct flight between YUL

Montréal-Trudeau International Airport and Louis Armstrong New Orleans International Airport.

FISCAL 2019

On October 15, 2019, the Corporation announced that the following summer it was launching the only direct flight between Montreal and San Diego, California, that the New Orleans destination would be offered all year-long in 2020, and that more flights to Florida from Montreal and Quebec City would be added to the program.

On October 1, 2019, the Corporation announced that as of the following summer it would offer direct flights between Montreal and Copenhagen, Denmark. This new service would operate twice a week from June 16 to September 20, 2020. Passengers would fly on the Airbus A321neoLR.

On September 20, 2019, Transat announced its 2019-2020 cruise package program, a hassle-free way to travel, including round trip flights on Air Transat, transfers and the cruise, flight protection and the possibility to extend a stay at no extra charge.

On August 29, 2019, the Corporation announced that the Superior Court of Québec had issued a final order approving the plan of arrangement with Air Canada contemplated under the First Arrangement A

The arrangement was also approved by 94.77% of shareholders present in person or by proxy at the special meeting of Transat held on August 23, 2019.

The arrangement contemplated under the First Arrangement Agreement still remained subject to meeting certain closing conditions, namely obtaining regulatory approvals, as well as other customary closing conditions. In addition, the Corporation announced that a public interest assessment of the arrangement contemplated under the First Arrangement Agreement would be undertaken by Transport Canada with input from the Commissioner of Competition. If the required regulatory approvals were obtained and conditions were

met, it was still expected that the transaction would be completed by the second quarter 2020.

On August 23, 2019, Transat announced that at the special meeting of its shareholders, held the same day, a significant majority of shareholders voted in favour of the special resolution contemplated under the First Arrangement Agreement pursuant to which Air Canada was to acquire all of the issued and outstanding Class A variable voting shares and Class B voting shares of Transat for \$18.00 per Share in cash.

On August 12, 2019, Transat announced that the Tribunal administratif des marchés financiers (Quebec) had accepted by a majority decision, with immediate effect, Transat's application to cease trade in securities relating to the offer made by Groupe Mach Acquisition Inc. ("Mach") on August 2, 2019, to acquire 6.9 million Class B voting shares of Transat (the "scheme").

As a result, Mach was not allowed to acquire any shares under its scheme and was expected to promptly return to shareholders any shares already deposited by them to Mach thereunder. Mach was also forbidden from using any proxies associated with shares deposited under its scheme.

On August 11, 2019, Air Canada and Transat announced that Air Canada had agreed to increase the purchase price for the acquisition of all issued and outstanding shares of Transat, from \$13 to \$18 per share. The First Arrangement Agreement was therefore amended accordingly. Based on the increased consideration, the value of the all-cash transaction was therefore approximately \$720 million.

Air Canada also entered into a lock-up and support agreement with Transat's largest shareholder, Letko Brosseau & Associates Inc., which beneficially owned or had control over 7,277,104 Class B voting shares or approximately 19.3% of all issued and outstanding shares of Transat. Under the terms of its lock-up and support agreement, Letko Brosseau had agreed to support and

vote all of the Class B voting shares of Transat it controlled at the special meeting of Transat's shareholders to be held on August 23, 2019, or at any adjournment or postponement thereof, in favour of Air Canada's acquisition of Transat.

On August 6, 2019, Transat announced that it had filed a complaint, on August 2, 2019, with the Tribunal administratif des marchés financiers, regarding Mach's scheme to acquire 6.9 million Class B voting shares of Transat, representing approximately 19.5% of Transat's Class B Shares.

On August 2, 2019, Transat confirmed it was aware of Mach's press release regarding its scheme to acquire 19.5% of Transat's Class B shares.

On July 16, 2019, the Corporation announced that Air Transat had achieved ISO 14001:2015 certification for its head office. The distinction conferred on the building at 5959 Côte-Vertu Boulevard in Montreal was the culmination of a long process by the company to implement a system for environmental management and continuous improvement of its sustainability practices.

On June 27, 2019, Transat announced that it would need to restate its consolidated financial statements and the management's discussion and analysis for the year ended October 31, 2018, as well as the first quarter ended January 31, 2019, and the second quarter ended April 30, 2019.

On June 27, 2019, Air Canada and Transat A.T. Inc. announced that they had entered into the first arrangement agreement providing for Air Canada's acquisition of all issued and outstanding shares of Transat and its combination with Air Canada. Under the terms of the first arrangement agreement, unanimously approved by the Board of Directors of Transat, Air Canada would acquire all outstanding shares of Transat for \$13 per share. The value of the all-cash transaction represented approximately \$520 million.

On June 18, 2019, the Corporation announced that for the second year in a row its

subsidiary, Air Transat, was awarded the title of World's Best Leisure Airline.

On June 14, 2019, Transat announced that it had received a non-binding and conditional proposal letter from Group Mach Inc. regarding its interest to privatize Transat. Such proposal was subject to numerous conditions including obtaining financing and undertaking a due diligence process.

On June 14, 2019, the Corporation announced that it had been recognized for a second year in a row at the annual Flèches d'or gala of the Association marketing Québec (AMQ), where it won the prize for Best Customer Experience in the travel e-commerce category.

On May 16, 2019, Transat announced that it had agreed to a 30-day period of exclusive negotiations with Air Canada pursuant to a letter of intent contemplating a transaction by which Air Canada would acquire all of the shares of Transat at a price of \$13.00 per share. During such exclusivity period, it was contemplated that Air Canada would complete its due diligence review and the parties would finalize the negotiation of a definitive agreement regarding this transaction.

On May 8, 2019, Transat announced that the Superior Court of Québec had issued a final order approving the previously announced plan of arrangement under the Canada Business Corporations Act effecting amendments to the Corporation's articles of incorporation to align the permitted level of non-Canadian ownership and control of its voting shares within its articles with those prescribed by the new definition of "Canadian" under the Canada Transportation Act as amended in June 2018.

Transat's amended articles are in effect since May 8, 2019.

On May 3, 2019, the Corporation announced that its subsidiary, Air Transat, had taken delivery of the first of 15 Airbus A321neoLRs (Long Range) that would be added to its fleet by 2022.

On February 20, 2019, the Corporation announced that its subsidiary, Air Transat, had, once again, stood out among travellers, who rated it the top Canadian carrier in Protégez-Vous magazine's airlines ranking. Air Transat is in fourth place among the 11 carriers evaluated.

On February 16, 2019, Transat announced that it repatriated its 113 travellers from the Royal Decameron Indigo Beach Resort & Spa in Haiti.

On January 29, 2019, the Corporation announced that its subsidiary, Air Transat, placed first among airlines in Forbes magazine's annual list of Canada's Best Employers. The company had gained 18 positions in the overall ranking, rising from 69th in 2018 to 51st in 2019.

On November 6, 2018, the Corporation announced that its subsidiary, Air Transat, was

partnering with easyJet and its Worldwide by easyJet unique connections service. Travellers arriving at London Gatwick airport from 78 cities in Europe and Africa would now have access to even more connecting flights to Canada with Air Transat thanks to the Worldwide by easyJet platform. An additional agreement with GatwickConnects would provide easyJet passengers with flight protection, ensuring a worry-free journey.

On November 2, 2018, for the second year in a row, Transat won the Solo Travel Award in the Vacation Packages category for its Solo Collection, which offers packages tailored to single travellers. Organized by the Solo Traveler online resource, this second edition highlighted the accomplishments of eight companies that stand out for their excellent services for those travelling alone.

For more information, we refer you to the section "Core Business, Vision and Strategy" above and to our 2021 Annual Report available for consultation on SEDAR (www.sedar.com).

4. DESCRIPTION OF OUR BUSINESS

The data contained in this section are estimates of our capacity and competitive positioning 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, given that our tour operators in France and Greece have been sold. We recorded \$124.8 million in revenues for fiscal 2021, compared to \$1,302.1 million for fiscal 2020.

4.1 Air Transportation

4.1.1 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 program with departures from Canada and Europe), and to which domestic flights are now added, at the best prices and using the best aircraft available. To that end, Air Transat, Transat's airline company, relies on a mixed fleet of wide- and narrow-body aircraft. In fiscal 2017 and 2018, Air Transat entered into a twelve (12) year agreement with AerCap Holdings N.V. to lease fifteen (15) Airbus A321neoLRs and two (2) Airbus A321neos, which were initially scheduled to be delivered between 2019 and 2022. This agreement has since been amended to convert two A321neos into long range (LR) aircraft and to modify the delivery schedule. The Airbus 321neoLR is the latest long-range (LR) version of Airbus A321neo (New Engine Option) in the single-aisle jetliner segment. Ten (10) out of seventeen (17) Airbus A321neoLRs are presently part of Air Transat's fleet. Progressive delivery of the last seven (7) Airbus A321neoLRs will be between 2022 and 2024, with the next two deliveries expected in May and June 2022.

As at October 31, 2021, Air Transat's core fleet is composed of thirty-four (34) aircraft, including sixteen (16) long-haul wide-body aircraft, and eighteen (18) narrow-body aircraft:

Type of Aircraft	Number				Comments
	Winter 2020	Summer 2020	Winter 2021	Summer 2021	
LONG-HAUL					
A330	20	20	16	16	<p>As part of Transat’s plan to reduce its A330 fleet in anticipation of a lower demand for air travel due to the COVID-19 pandemic, one A330-200 and three A330-300 were returned during winter 2021. The A330-200 and one of three A330-300 aircraft were returned to their respective lessors upon expiry of their respective leases, whereas the other two A330-300s were returned under an agreement for the early termination of their leases, which explains the A330 fleet being reduced from 20 to 16 aircraft between summer 2020 and winter 2021.</p> <p>Moreover, Transat has entered into an agreement for the early return of two other A330-200 on or about November 30, 2021 and has entered into an agreement in principle for the early return of a third A330-200 during the first quarter of 2022. Lastly, a fourth A330-200 is in storage in Arizona since fall 2020 until its lease expires in December 2021. During winter 2022, the A330 fleet will therefore decrease from 16 to 12 aircraft, composed of 15 A330-200 and one A330-300.</p>
A310	3	0	0	0	All A310s have now been phased out of Air Transat’s fleet.
A321 neoLR	3	6	6	10	Ten (10) A321neoLRs have been delivered to date, the first two of which were delivered in May and June 2019, the next four during fiscal 2020 and the last four during fiscal 2021. Transat will progressively take possession of the remaining A321neoLRs between 2022 and 2024, with the two next deliveries expected in May and June 2022.
MEDIUM-HAUL					
A321 ceo	4	4	4	4	The A321ceo fleet has remained stable, except for the three aircraft of this type referred to in the seasonal aircraft category, which in the future will be included in the core fleet. Please see the relevant explanations regarding the seasonal A321ceos in this table.

Type of Aircraft	Number				Comments
	Winter 2020	Summer 2020	Winter 2021	Summer 2021	
B737-800	5	3	1	1	As part of its plan to reduce its fleet in anticipation of a lower demand for air travel post-COVID-19, Air Transat has reached an agreement with its lessors for the early termination of the leases and return of four of its five B737-800 aircraft. As of October 31, 2021, the four B737-800s were returned. Negotiations are underway with the lessor for the early return of the fifth and last of this aircraft model. Regardless, Transat has no intention of using this aircraft before its lease expires in April 2022.
Total Core Fleet	35	33	27	31	
Leased A321ceo	8	3	3	3	Following the cessation of operations of Thomas Cook Group Plc and its companies and their liquidation in September 2019, Transat leased eight replacement aircraft sourced from alternative lessors and operators to replace the seasonal A321ceo aircraft that would normally have been leased from Thomas Cook. Five of these aircraft were leased only for winter 2020 while three of them were initially leased for a term of 17 to 18 months, which is why they are accounted for beyond winter. With the termination of the master agreement with Thomas Cook and the outbreak of COVID-19, Transat no longer expects to introduce any seasonal aircraft. It has extended the leases of the three above-mentioned seasonal aircraft for an additional term of about four years, such that these aircraft will be accounted for in the core fleet.
Lease B737-700/800	5	0	0	0	The winter of 2020, which was also marked by the onset of the COVID-19 pandemic, was the last winter during which Air Transat leased seasonal aircraft. Following the liquidation of Thomas Cook in September 2019, Transat had to supplement the eight seasonal A321-211 aircraft with five B737-800 leased from Smartwings. Given Transat's transition towards an all-Airbus fleet, and the outbreak of COVID-19, Transat no longer expects to introduce any B737-800.
Total – Seasonal Fleet	13	3	3	3	
Total – Fleet in Operation	48	36	30	34	

Air Transat has now phased out the last six (6) Airbus A310-300 aircraft in its possession. By replacing the Airbus A310s with Airbus A321neoLRs a so-called "flexible fleet" which enables Transat to adjust the number of medium-haul and long-haul aircraft at its disposal based on seasonal tourism market needs and to continue to more efficiently service its routes. In fact, Transat has a 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 program is busiest. In addition to the A330s available to be deployed for our high-demand sun destinations, the A321neoLRs, combined with the A321-211s, are available to fly to sun destinations such as Mexico, the Caribbean and Florida. The A321neoLRs, combined with the A330s, are available to be deployed for transatlantic connections, which will allow us to maximize the use of this aircraft for the entire year throughout Transat's destination network. The A321neoLR can travel 4,000 nautical miles (7,400 km), the longest range of all single-aisle aircraft. The size of the A321neoLR, which carries 199 passengers with an option to travel Club (12 seats) or Economy (187 seats), gives Transat greater flexibility in terms of the commercialization and frequency of flights, whereas the aircraft's low fuel consumption keeps the cost per seat low while reducing the air carrier's carbon footprint. The advantages of the A321neoLR make it an aircraft of choice for Transat while all flying activity is still below pre-pandemic levels. Air Transat will continue to deploy its long-haul aircraft mainly on the transatlantic program and high-demand sun destinations markets.

Prior to the outbreak of the COVID-19 pandemic, in addition to relying on Air Transat's core fleet of aircraft, Transat had given itself the option of increasing its number of medium-haul aircraft in the wintertime. In the context of its strategy to deploy a flexible fleet, Transat initially benefited from four years from flexible agreements 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 Smartwings (formerly Travel Service) for the seasonal leasing of Boeing 737s, in order to complete, during the winter, Air Transat's five B737-800 aircraft that were then part of its core fleet. During the winter of 2019, Air Transat turned to Thomas Cook Group Airlines (hereinafter "Thomas Cook") to complete its narrow-body winter fleet with A321-211s and to dispose of some A330-200s during the same period, so as to simplify seasonal operations by doing business with a single partner and to support the transition to an all-Airbus fleet.

During the winter of 2019, Air Transat operated ten (10) A321-211s leased from Thomas Cook, eight without crew and two with crew. Conversely, during the same period, Thomas Cook operated four A330-200s leased from Air Transat without crew. All of these aircraft leases by both companies had occurred pursuant to a seven-year master agreement between Air Transat and Thomas Cook, which provided for the exchange of at least one (1) wide-body Airbus A330-200 and from four to fifteen Airbus A321s every winter starting in the winter of 2018. With the introduction of the A321neoLRs in 2019 and 2020, the master agreement between Thomas Cook and Air Transat was meant to support Air Transat's transition towards a fleet entirely comprised of Airbus aircraft, by allowing for the replacement of the seasonal B737s with aircraft of the A320 family.

However, while Air Transat was preparing for its winter 2020 season, Thomas Cook Group Plc and its affiliated companies were liquidated, resulting in the UK airline company of the group ceasing its operations on September 23, 2019. This turn of events forced Air Transat to terminate its master agreement with Thomas Cook, with immediate effect and, in order to meet its seasonal needs, to replace the ten (10) A321-211s that Transat was initially supposed to obtain from Thomas Cook. Air Transat was therefore able to secure eight (8) aircraft. Moreover, five B737-800 aircraft operated by Smartwings on behalf of Air Transat under a wet lease agreement, were added during winter 2020. Most of these aircraft were operated until the end of the winter of 2020, except for three aircraft leases were extended for an additional term of four years and which are no longer considered seasonal aircraft.

A key element of Transat's "flexible fleet" strategy was the dual qualification of its pilots. This initiative deployed in 2014 with the introduction of the first B737-800 aircraft into Air Transat's fleet, became an integral part of its seasonal operations. As such, dual-qualified pilots switched from operating either A310s or A330s during the summer months, to operating A321s or B737s during the winter months, and then switched back to operating wide-body type jets the following summer. This operating method, which is unique to Air Transat, complies with regulatory requirements for training, while responding to commercial needs. It had also benefited Transat because it allowed a significant reduction of the costs per seat/hour while creating permanent jobs and improving competitiveness. With the phase out of the A310, the introduction of the A321neoLRs and Transat's decision to gradually abandon the B737s to shift to A321s, Air Transat has since focused on two types of aircraft, namely A330s and A321s. Its pilots are therefore gradually being trained for aircraft in the A320 family. Ultimately, Air Transat will benefit from Airbus' 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.

As of October 31, 2021, it is expected that Air Transat's fleet, will be comprised of 30 aircraft for winter 2022, as described in the table below. However, the number of aircraft deployed in revenue service will be considerably lower given the reduced demand for air travel due to COVID-19 and the gradual resumption of Transat's aviation operations, as such, Transat will be adjusting its schedule from month to month based on its assessment of the situation :

Type of aircraft	Number		Comments
	Winter 2022	Summer 2022	
LONG-HAUL			
A330	12	12	<p>In the winter of 2022, Air Transat will operate four less A330 aircraft in its fleet. As such, one A330-200 that is currently in storage will be returned when its lease expires in December 2021. Moreover, as part of its plan to reduce its A330 fleet in anticipation of a lower demand for air travel as a result of the COVID-19 pandemic, Air Transat has an agreement with AerCap for the early termination of the leases of two more A330-200 aircraft by November 2021 and negotiations are underway with another lessor for the early return of another A330-200.</p> <p>Air Transat also has various power-by-the hour agreements in respect of several A330-200s. These arrangements give the airline greater flexibility to deploy aircraft during the winter 2022.</p>
A321neoLR	10	12	Transat currently has ten A321neoLRs in its fleet. Seven others will be delivered between 2022 and 2024, two of which in May and June 2022.
Total Long-haul	22	24	
MEDIUM-HAUL			
A321ceo	7	7	See our fleet table as at October 31,2021 in section 4.1.1 of this AIF, especially the comments regarding the seasonal A321ceo aircraft.
B737-800	1	1	See our fleet table as at October 31, 2021 in section 4.1.1 of this AIF.
Total Medium-haul	8	8	
Total Core Fleet	30	32	

All these initiatives demonstrate 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 for the transatlantic program and for the sun destinations.

After the World Health Organization declared COVID-19 a pandemic on March 11, 2020, Transat wrapped up its winter 2020 program and repatriated its passengers as travel restrictions and border closures were being implemented worldwide. It also decided to temporarily suspend its flight operations from April 1 to July 22, 2020, inclusively, such that the summer 2020 program was never deployed as planned pre-COVID-19. While Air Transat resumed its flight operations as of July 23, 2020, it had to further reduce flights and limited the number of destinations due to the continued travel restrictions, which included border closures and quarantine rules and, consequently, a significant decline in demand for travel. During the winter of 2021, Air Transat suspended its operations for a second time on January 30, 2021, after the Canadian government asked all of the

country's airlines to cease flying to sun destinations until April 30, 2021 in order to limit the spread of COVID-19. Since Air Transat was operating few flights other than those going down south, Transat decided to completely suspend its operations, after carrying out repatriation flights between January 31 and February 13, 2021, until operations were again resumed on July 30, 2021.

As such, during fiscal 2021, Air Transat only offered flights from Montreal, Toronto and Vancouver, (domestic flights on for Vancouver). During the winter 2021 season and up to January 30, 2021, we served eight sun destinations (Cancun, Holguin, Montego Bay, Port-au-Prince, Puerto Plata, Puerto Vallarta and Varadero) in 5 countries (Mexico, Cuba, the Dominican Republic, Jamaica and Haiti), compared with 33 sun destinations in 12 countries during winter 2020 and before the onset of the pandemic.

During the summer, we usually shift a major part of our capacity to the transatlantic program, while maintaining some flights to sun destinations. During the summer of 2021 and since resuming operations, Air Transat operates domestic flights and serves five European destinations (Paris, Lisbon, London (Gatwick), Porto and Manchester) in three countries (France, the United Kingdom and Portugal) compared with 25 destinations in 12 countries in summer 2019 prior to the pandemic.

Going forward, Air Transat wishes to continue to expand its transatlantic program by enhancing its flight program, notably by increasing the frequency of direct flights, adding connecting flights and inaugurating new city pairs, in order to offer travellers even more choices and flexibility. For the time being, however, Transat continues to monitor the situation and adjust its flight schedule, with a view to increasing capacity as soon as the situation allows.

Since the onset of COVID-19, Transat has worked and continues to work with its commercial partners and suppliers and especially with its aircraft lessors, in order to defer aircraft rent payments, restructure aircraft leases and adjust its fleet size to adapt to the crippled demand while the pandemic is ongoing and reduced demand for travel post-COVID-19. As at October 31, 2021, Air Transat had negotiated agreements with several lessors for the early return of four B737-800 and two A330-200 aircraft. As such, three B737-800s were returned during fall 2020, and two A330-300 during winter 2021. This is in addition to a third A330-300 and one A330-200 aircraft that were returned to their respective lessors during the winter of 2021 when their leases expired and one A330-200 that will remain in long-term storage until the expiry of its lease in December 2021. While the early return of the B737-800s was facilitated by COVID-19, it is in keeping with Air Transat's transition to an all-Airbus fleet and negotiations are underway for the early return of the fifth and last B737-800 before its lease expires in April 2022. Moreover, in fiscal 2020 and 2021, Transat secured power-by-the-hour arrangements for four A330-200 aircraft in its fleet, which agreements give it increased flexibility as COVID-19 continues to negatively impact the aviation industry and are in addition to four aircraft that were already benefiting from similar conditions prior to the pandemic. Transat continues to negotiate other similar arrangements with its aircraft lessors. As such, under an agreement entered into in September 2021 for the early termination of two aircraft leases, Transat will be able to return two additional A330-200 to their lessor by November 30, 2021 and negotiations are on track for the early return of a third A330-200 during winter 2022 with another lessor. At the end of these negotiations and once the particular aircraft will have been returned to their respective lessors, the Transat fleet will drop to twelve A330s, namely eleven A330-200 and one A330-300. Lastly, Transat has also entered into several agreements to restructure certain aircraft leases. These restructurings generally involve rent reductions during certain periods in exchange for an extension of the leases and, in some cases, rent deferrals.

Despite the ongoing COVID-19-related challenges facing the Corporation, we are continuing our efforts to optimize capacity through more efficient flight scheduling and increased ancillary revenues. We served approximately 235,000 passengers in fiscal 2021, compared with 2,280,000 passengers in fiscal 2020 and 5,300,000 passengers in fiscal 2019. In fiscal 2020, Transat was forced to suspend flights, for the first time, from April 1, 2020 to July 23, 2020, inclusively as a result of the

pandemic and to subsequently resume operations that were strictly limited due to the various border closures and quarantine rules in place, which adversely affected the number of passengers compared with pre-pandemic levels. The drastic drop in the number of passengers in fiscal 2021 is also attributable to reduced air travel for the same reasons as in 2020, as well as the second suspension of flights between January 29 and July 29, 2021, inclusively.

4.1.2 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, among 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 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. 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, 2017 and 2019, 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. As a result of the COVID-19 pandemic, the external audit to renew the IOSA certification in 2021, based on the E-IOSA program methodology, was deferred to December 2021 and approved by the IATA.

In terms of cabin configuration, Air Transat's A330-200 aircraft have 345 seats, with the exception of eight (8) aircraft that were added to the fleet between 2016 and 2018, which have a 332-seat configuration. The three high-density A330-300s (375 seats), which before the pandemic were deployed on the high-frequency city pairs that Air Transat operates between Montreal and Paris and between Toronto and Gatwick, were returned to their lessor during winter of 2021, under agreements to this effect with the lessor. The only A330-300 that remains in Air Transat's fleet has 346 seats. All A330 aircraft in Air Transat's fleet include 12 seats in Club class. The only B737-800 aircraft remaining in Air Transat's core fleet, until April 2022 at the latest has 189 seats. The A321ceo aircraft that were added to Air Transat's fleet during fiscal 2018 currently have 190 seats, all in Economy, and of the three A321ceos that were initially rented to replace those from Thomas Cook, two currently have 220 seats and one has 199 seats. By the end of 2021, Air Transat's seven A321ceos will be reconfigured to seat 198 passengers. The six A321neoLRs currently operated by Air Transat have 199 seats, including 12 seats in Club class. The configuration will be identical in aircraft of this type that will be added to the fleet in the future. In terms of customer experience, all A330s and A321neoLRs are equipped with a mood-lighting system throughout the cabin and an in-flight entertainment system with a seat-integrated display.

We perform regular maintenance work and inspections on all aircraft of our fleet in accordance with aircraft maintenance procedures that meet and, in some cases, exceed Transport Canada's requirements. We carry an inventory of spare parts for our Airbus A330s and A321s and Boeing 737 aircraft. The six (6) remaining A310s that were phased out of our fleet on April 1, 2020 were parted out and the related spare parts inventory was sold to third parties. We also carry an inventory of spare parts for our A321neoLRs ever since the first aircraft of this type was added to the fleet in

2019, given that our fleet was to include twelve (12) such aircraft by the end of spring 2022. To date, two (2) other aircraft have been added to the ten (10) in our fleet and five others will be delivered progressively until 2024.

Despite the COVID-19 pandemic, we continue to comply with Transport Canada's requirements regarding maintenance, particularly where such requirements apply to the short- and long-term storage of aircraft and their return to service.

4.1.3 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. To protect itself against fuel price fluctuations, the Corporation may choose to enter into derivative agreements with financial intermediaries. The Corporation's hedging policy in this regard allows it to hedge up to 70% of projected aviation fuel purchases for the upcoming year and up to 30% for the following year. These limits are maximums, but are not mandatory. Moreover, there is no minimum monthly coverage limit. The Corporation's strategy is regularly reviewed and adapted as needed to market conditions. As such, as at October 31, 2021, given the uncertainties concerning the pandemic, the Corporation has no derivative instruments for the purchase of aviation fuel covering its protected requirements, compared to 100% of its estimated requirements for the following year as at October 31, 2020 (year not representative due to pandemic) and 41% as at October 31, 2019.

4.2 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.

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.

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.

4.2.1 Products of Transat Tours Canada Inc.

Transat Tours Canada Inc. ("Transat Tours"), operates under two brands, Transat and Air Transat. It distributes products in the recreational markets located in North America, Central America, South America and Europe. We offer two main product categories to meet customer needs, namely, travel vacation packages from Canada and, through Air Transat, seats in all markets served by Air Transat. Transat Tours, through Air Transat, also offers seats to and from various Canadian cities for its domestic market. All of these products are essentially sold online, by either Transat Tours or Air Transat, and through the travel agency network.

In the packages category, Transat Tours offers four exclusive collections, namely the Solo, Family, Distinction and Luxury collections, each of which features a selection of hotels and advantages suited to every various type of consumers. Moreover, Transat also offers Duo packages in Cuba and Columbia, which combine two regions in one trip.

Due to COVID-19, the Corporation launched a reduced winter program in the first half of winter 2020-2021.

As such, Transat Tours offered a reduced choice of packages to Mexico, the Caribbean and a selection of nearly 300 hotels. During this period, Transat also offered packages in Europe. Due to the ongoing impact of COVID-19, however, it was forced to suspend the sale of cruise and tour packages until further notice.

At the beginning of winter 2020–2021, Air Transat also operated direct flights to more than eight sun destinations and five European destinations from Montreal, Toronto and Quebec City.

Exceptionally, at the request of the Canadian government not to travel to Mexico and the Caribbean and following the introduction of new measures regarding quarantine and COVID-19 testing, on January 29, 2021, the Corporation announced the complete suspension of all scheduled Air Transat flights and the repatriation of its customers to Canada. This suspension remained in effect until operations resumed on July 30, 2021.

After six months of inactivity, Air Transat made its first commercial flights on July 30, 2021. The Corporation gradually resumed its operations by offering a summer flight program from Québec City, Montréal and Toronto to five European destinations (Lisbon, London, Manchester, Paris and Porto), five Sun destinations (Cancun, Holguin, Port-au-Prince, Puerto Plata and Punta Cana), two U.S. destinations (Fort Lauderdale and Orlando) as well as a domestic flight program (between Calgary, Montreal, Toronto and Vancouver).

In October 2021, the Corporation launched a new virtual interlining service, called connectair by Air Transat. In collaboration with Dohop, an established company whose technology creates connecting itineraries, this service makes it possible to sign a partnership agreement with easyJet and offers Air Transat clients flights to over 130 additional destinations in Europe, North Africa and the Middle East.

4.2.2 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 activities of Air Transat in the UK and Ireland.

Canadian Affair is the UK's largest single destination tour operator to Canada and its flight-only business is focused on Air Transat's flight program. It offers tailor-made holidays in Canada, distributing directly to the consumer, and, more recently, through travel agencies in the UK. Canadian Affair is focusing its business on tour operating, selling holidays to Canada packaged with both Air Transat or third-party airline flights, through an online call center at canadianaffair.com. Working closely with its suppliers and inbound/ground operators, its product offering continues to develop to bring more packaged tours into its product range allowing customers to carefully select their holiday to Canada. Over the last four years, Canadian Affair has been named Best Canadian Tour Operator at the British Travel Awards.

For the Air Transat brand, there is a dedicated sales team to drive B2B 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 accustomed to checking airline websites, where they believe they will find the most competitive prices. Direct online sales in the UK account for about 70% of all UK air-only flight sales.

Electronic retail sales represented 75% of Transat's sales revenue in the UK (Air Transat 50% and Canadian Affair 25%), while sales made via travel agencies represented the remaining 25%. 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 B2C e-commerce sales and B2B commerce sales.

4.2.3 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, electronic commerce and communications team. The commercial team is responsible for developing sales through travel agencies, OTAs ("Online Travel Agents"), tour operators and group travel specialists. The customer service team provides support to travel agents and tour operators (tariff-setting, emissions) and also exclusively sells Air Transat plane tickets. For its part, the marketing, electronic commerce and communications team is responsible for implementing the marketing strategy determined by the Canadian head office, internal and external communications, electronic trade and managing Air Transat's websites in France, the Netherlands, Belgium, Germany and Switzerland. This team 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 that has assigned one member its personnel to work 60% of their hours for Air Transat. This individual, who reports to the director of ACF, oversees business sales development and is based in Amsterdam.

4.2.4 Products of Trafictours Canada Inc.

On May 31, 2021, Transat who owns 70% of the shares of Trafictours Canada Inc. ("Trafictours"), acquired the 30% interest held by the minority shareholder, Gesmex Corporation ("Gesmex"), by mutual agreement of the parties. Trafictours operates as an incoming tour operator in Mexico, the Dominican Republic, Jamaica and Barbados. The Corporation and Gesmex are parties to a service agreement pursuant to which Gesmex provides management services to Trafictours and its subsidiaries. This agreement will expire no later than May 31, 2022, and is intended to ensure the smooth transition of Trafictours' management in order to maintain quality service and efficient operational and financial controls with respect to Trafictours.

4.2.5 Hotel Activities

Over the past few years, Transat had undertaken to launch a new business activity by creating a hotel division in 2018. This division acquired two properties in Puerto Morelos in Mexico at the end of 2018, for the construction of an oceanfront hotel. In 2019, as part of the Arrangement Agreement, the Corporation had agreed to limit its commitments and expenses related to the implementation of its hotel strategy during the period leading up to the closing of the transaction. Consequently, the Corporation focused on the several elements related to the pre-construction stages, more specifically on obtaining the construction and environmental permits and on advancing the architectural plans, in order to restart the project. Meanwhile, we established a management subsidiary in the United States, started to assemble the management team, and defined the brand and type of product for our future hotel resort. In May 2021, given the changes to these strategic objectives and decrease in liquidity due to the COVID-19 pandemic, the Corporation decided to cease the hotel division's activities and as a result abandoned any further development of this division. In view of market conditions, the Corporation is considering monetizing its assets in Puerto Morelos as hotel operations are no longer part of its business development plans and to increase its liquidity ratio in the context of the pandemic.

4.2.5.1 Marival Armony (formerly Rancho Banderas)

On April 3, 2017, Transat purchased from a third party a 50% interest in Hotel Rancho Banderas, located in Punta de Mita in Mexico. Through a wholly owned subsidiary, Transat was a co-shareholder, along with a subsidiary of Gesmex, in Desarrollo Transimar, S.A. de C.V. ("Desarrollo Transimar"). Gesmex is also a shareholder of Trafictours prior to the Corporation's acquisition of the interest it held by Gesmex on May 31, 2021. Following an expansion completed in 2018, the hotel currently consists of 264 rooms. 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 of a change of control, as defined in the agreement. Under the agreement, the parties have granted each other the right to purchase or sell, as the case may be, their entire interest in Desarrollo Transimar. The parties have agreed that the exercise price of such right to purchase or sell the other party's interest in Desarrollo Transimar shall be equal to the fair market value of such interest.

4.3 Travel Agencies and Distribution

In Canada, 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 277 outlets, of which 34 are wholly owned, 118 are franchised and 125 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, our 34 wholly-owned agencies carry out their activities under this name.

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. This program was enhanced in 2020 so that external agents who join our network can operate under their own brand name.

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

4.4 Our Employees

As at October 31, 2021, Transat and its subsidiaries had approximately 2,100 active employees and the average number of active employees for fiscal 2021 was approximately 1,457. As at October 31, 2021, the Corporation also had about 2,200 employees in Canada on temporary layoff.

On March 15, 2020, Transat and its subsidiaries had to temporarily lay-off a significant number of its employees due to drastic drop in business as a result of the COVID-19 pandemic. On two occasions April 1 to July 22, 2020, and from January 30 to July 29, 2021 – the Corporation completely suspended its aviation operations. In Canada, approximately 85% of its workforce was temporarily laid-off following these two temporary shutdowns. However, as soon as the CEWS was implemented, Transat availed itself of the program so that its employees could be placed on leave with reduced pay instead of being temporarily laid-off until the federal government ended the program on August 28, 2021. The majority of the affected salaried employees accepted this option.

For its foreign subsidiaries, Transat has implemented similar measures relating to temporary lay-offs and partial unemployment, if available, or terminations if this was not possible.

Upon the first resumption of operations on July 23, 2020, Transat recalled about 1,000 employees, most of whom had to subsequently be temporarily laid off or placed on leave with reduced pay as a result of shutting down operations a second time at the end of January 2021. The second resumption

of operations in July 2021 enabled us to recall or hire an increasing number of employees. The Corporation hopes to continue this expansion during 2022.

In October 2020, Transat set up a job search assistance program for its employees affected by the staff reduction measures, which program was enhanced during the year. As such, in addition to identifying placement opportunities, it provides registered employees with tools and guidance to facilitate their job search and to help them overcome this difficult period.

Moreover, all employees who could work from home were invited to do so as of March 15, 2020, and the Corporation implemented measures to protect staff who had to work onsite. Transat also paid particular attention to the protection of its flight crew. These measures were widely and clearly communicated to and followed-up with employees to avoid any contamination at work. Following the end of mandatory telework for office staff on November 15, 2021, Transat implemented its updated telework policy, which is founded on freedom of choice for staff whose duties do not require them to be present at the workplace. Eligible employees may therefore choose to work from any location in Canada, since their physical presence at the workplace is only required a maximum of eight days per year. This policy increases employee satisfaction, broaden the recruitment pool and strengthen Transat's position as an employer of choice.

A detailed description of our short- and long-term incentive plans are set out in the Management Proxy Circular relating to the annual meeting of shareholders that will be held on April 27, 2022 (and, if needed in the Management Proxy Circular dated March 23, 2021), which is available on SEDAR (www.sedar.com). As it is also our policy is to promote good relations with our employees, we have continued to implement a policy to prevent harassment in the workplace as well as a policy regarding the protection of personal information and the right to privacy.

Due to this unprecedented situation in 2020 and 2021, where a vast majority of its employees were absent from work and recruitment was essentially at a standstill from the onset of the pandemic to the middle of 2021, the Corporation was forced to review its priorities with respect to employee engagement and development. The priority has been on employee communication, by keeping them informed of developments in the situation, such as through regular virtual meetings presented by management to all employees as well as by providing support for those working at home and promoting employee mental health.

During the last half of 2021, we relaunched the real-time employee engagement platform that had been in use at Transat since 2017, but that had been suspended due to the pandemic. Through regular surveys and shared comments, this platform gives the company and its managers the means to closely follow the evolution of the mood and moral of all of the Corporation's employees. During 2022, Transat expects to revive most of its talent and performance management programs and to focus on the development of its personnel.

During 2021, despite the context, the Corporation was recognized among the best employers in Canada and in the world's "Top Female-Friendly Companies."

As at October 31, 2021, the Corporation had 4,330 employees in Canada, approximately 70% of which were unionized and subject to five collective agreements. The following table 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 2021, the collective agreement with the airline pilots was extended until June 30, 2022.

Several collective agreements will expire over the course of next year. Therefore, there is a possibility that the negotiations regarding the renewal of these collective agreements could lead to stoppages,

work slowdowns or increases in the cost of labour, which may have an adverse effect on our business and results of operations.

Employees	Transat's Subsidiary	Association	Status of Collective Agreement
Flight crew members (pilots)	Air Transat	Air Line Pilots Association (ALPA)	Collective agreement in effect until June 30, 2022
Flight attendants	Air Transat	Canadian Union of Public Employees (CUPE)	Collective agreement in effect from November 1, 2015, to October 31, 2021 - renewal in process
Flight dispatchers	Air Transat	Canadian Airline Dispatcher's Association (CALDA)	Collective agreement in effect from November 1, 2015 to October 31, 2022
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

The ability of the Corporation to successfully carry out its business plan depends on the experience of its key officers and employees, as well as on their knowledge of the tourism, aviation and travel industries. The loss of key employees could negatively affect our business and results of operations. Also, our recruitment program, our salary structure, our performance management programs, our succession plan and our training plan involve risks which may have adverse effects on our ability to attract and retain the qualified resources necessary to support the growth and success of the Corporation.

4.5 Competition

By doing business as air carriers, tour operators and travel agencies (traditional or online) we face competition on many fronts.

Competition is fierce in all areas of activity (Caribbean-Mexico and transatlantic) and results not only from air carriers specializing in leisure/holiday travel and traditional tour operators, 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 in the leisure travel industry. The two basic trends in tourism, strong growth of online direct sales and disintermediation of transactions, now place the customer at the center of the purchasing process thereby allowing the customer to deal directly with suppliers (hotel operators, carriers, incoming tour operators), travel agents, OTAs and even social media. Competition is therefore present at all levels. In order to succeed, it is crucial to control costs, be a service provider in the airline industry and 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 which clients can select individually. OTAs are particularly active in the FIT program segment, thus becoming both an additional distribution channel and competition for tour operators. The FIT program is growing at a rapid pace and the tour operators put greater emphasis on that market segment.

4.5.1.1 Canada

Canadian vacationers travel mainly to two regions, either sun destinations or Europe. Vacationers opting for sun destinations are primarily looking for the comfort of packages, whereas those travelling to transatlantic destinations are mostly looking for aircraft seats and, incidentally, 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 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 United Kingdom

The UK tourism services 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 limiting 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 is a tour operator well established in the UK, and as the main tour operator to Canada, it also sells holidays, including flights, to Canada directly to consumers through its call center and website canadianaffair.com, and, more recently, to the industry through its call center and Web portal.



Our most important 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.

4.5.2 Travel Agencies and Distribution

Travel agencies are an intermediary between tour operators and transporters and customers. Whether in person, online, by telephone or otherwise, travel agents are in contact with, advise and sell products to customers. 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, and they are generally paid a commission by these tour operators and other suppliers. 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 primarily consist of airline tickets and hotel accommodations, chosen separately, and only a limited proportion of sales are for packages that include flight and hotel accommodations.

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 relating to integration is still focused on extending our distribution network in our three primary 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, Marlin Travel and TravelPlus banners or affiliated programs (which make up our network of travel agencies), Carlson Wagonlit Travel, CAA, Flight Centre, Maritime Travel, Uniglobe, Ensemble, Travel Savers, Vision Travel and Voyages en direct.

Retail chains, operating under a common banner, provide a range of services to their members, in the form of 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.

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 leisure travel market through a combination of scheduled and charter air services (in the case of Air Transat, they are primarily scheduled flights,

except for certain specific destinations served by charter flights); and (iv) regional airlines operating short-haul flights 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 the creation of airline joint ventures. They can sometimes be part of several of the large global carrier alliances and joint ventures which have been formed over the last decade. Leisure and low-cost carriers principally offer direct point-to-point flights.

Network carriers, low-cost carriers and leisure carriers increasingly compete in the leisure 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 4.8.2.2, 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 markets.

In addition, some low-cost carriers entered the market during the pandemic taking advantage of a surplus of aircraft and flight and specialist personnel laid off by established carriers.

Transat’s competitors include namely WestJet, Swoop, Sunwing, Air France, KLM, IAG (British Airways, Iberia, Aer Lingus and LEVEL), Corsair, Brussels Airlines, TAP Portugal, ITA, Lufthansa, Air Canada, Azores Airlines, Condor, AeroMexico, COPA, Interjet, Caribbean Airlines, Delta, American Airlines and United Continental.

4.6 Intellectual Property

We believe that our intellectual property is very important to our success. The following is a non-exhaustive 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 design, Air Transat and the mosaic design featured on some of its aircraft and travel agencies, Canadian Affair, Club Voyages, Trafictours, Transat, Transat Holidays USA, Turissimo, Liberty Travel/Voyages en Liberté, Marlin Travel/Voyages Marlin, Transat Travel/Voyages Transat and TravelPlus, as well as other trademarks, trade names, designs and domain names associated to the aforementioned trademarks.

Some of these trademarks, such as Air Transat, Transat, Transat Holidays USA, Club Voyages, Transat Travel/Voyages Transat, TravelPlus and Marlin Travel/Voyages Marlin, share the star design. The mosaic design will still be featured on some of Air Transat’s aircraft until we complete our transition to a full Airbus fleet. 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. Regular monitoring of the Corporation’s trademarks allows it to formally oppose any trademark application that may cause confusion in the markets in which it operates.

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

4.7 Trends

4.7.1. Impact of Pandemic on Demand

Declared a pandemic on March 11, 2020, COVID-19 triggered a global crisis affecting all social and economic spheres, although in an uneven manner. International travel and tourism were among the hardest hit industries.

The crisis, along with health measures and travel restrictions implemented by governments to control the spread of the pandemic, caused travel demand to plummet.

The number of international tourists fell from 1,460 billion in 2019 to 398 million in 2020, a drop of 74% (84% between March and December). This has put an end to 10 years of continued growth and set us back 30 years.

In Canada, international arrivals numbered about 3 million in 2020, down 87% from 2019. Before the pandemic, Canada had a record number of visits, for the third consecutive year, with more than 22 million international travellers in 2019.

Entry conditions – double vaccination, vaccination passport, screening, quarantine, etc. – vary from one country to another or from one region to another, and are subject to change depending on the pandemic situation, which improves or deteriorates in line with each new wave and variant.

From the start of the pandemic, Canada has taken a cautious and restrictive approach with regard to both Canadians and visitors. As of March 18, 2020, non-essential international travel was no longer permitted. The reopening of Canadian borders to fully vaccinated international tourists was implemented in two phases: August 9, 2021 for the United States and September 7, 2021 for other countries. Moreover, for over a year and a half, the Transat A.T. Inc. federal government recommended that Canadian travellers avoid all non-essential travel; this guideline was lifted for fully vaccinated travellers on October 21, 2021. However, with the emergence of the Omicron variant, the Government is advising Canadians to exercise extra caution and avoid non-essential travel to approximately 10 countries in southern Africa.

Since October 30, 2021, all passengers leaving a Canadian airport must be fully vaccinated in order to travel, which measure will have a short transition period. Canadian airline personnel must also be fully vaccinated.

Changes to health measures, entry requirements and travel restrictions put in place by various governments, including Canadian government, continue to hold back international travel and tourism.

4.7.2 Factors for Market Recovery

The recovery of international tourism depends on several factors. In addition to an improved pandemic situation, the lifting of travel restrictions and continued vaccination efforts, the recovery is also dependent on the overall economy and financial health of travellers.

The beginning of 2021 was marked by a deterioration of the pandemic situation and the beginning of a fragile recovery. Between January and July 2021, international tourism decreased by 80% compared with 2019.^[1] However, with the easing of travel restrictions to certain destinations and vaccinations

efforts continuing in many parts of the world, international tourism showed signs of a rebound in June and July 2021.^[2]

Vaccination is an essential factor for the recovery of the tourism and travel sector. With a vaccination rate of over 75% of its population as of November 13, 2021, Canada is well positioned. However, regional disparities in vaccination coverage and the emergence of new variants of the virus will have an impact on recovery and overall travel demand.

As with other recent surveys, the latest available IATA survey^[3] shows that people want to travel: 86% of respondents expect to travel within six months after the crisis ends. These same respondents believe that the risks associated with COVID-19 can be managed effectively and that the freedom to travel should be restored. People who travelled during the pandemic say that the rules are too complex and the paperwork too onerous. To secure recovery, governments need to simplify processes, restore freedom to travel and adopt digital solutions to issue and manage health travel documents. To speed up processes and eliminate line-ups after a pandemic, travellers are in favor of the use of biometrics, provided it works, but are concerned about the protection of their personal data.

Although traveler confidence was shaken in the first months of the pandemic, it has grown stronger with the increase in vaccination coverage. Stakeholders in the tourism and aviation ecosystem have made great efforts to make travel safe and to communicate their protection programs to their customers. Given the powerful HEPA filtration system, the risk of exposure to the virus inside an aircraft is considered to be very low. Implementing safety measures such as wearing a face mask, sanitizing aircraft and limiting points of contact, by using digital services, mobile applications and the like, have helped reassure customers. Contactless technology is also being used to ensure enhanced safety for travelers at all stages of their journey.

Since the beginning of the pandemic, domestic demand is stronger than international demand and, according to the latest available data, this is still the case. Our niche market of leisure travel (for tourism purposes or to visit friends and relatives) is recovering faster than business travel. And the resurgence in travel is stronger among younger people.

As of this date, the UNWTO and IATA forecasts indicate that it will take until around 2024 to recover the levels of 2019.

^[1] Source: UNCTAD, May 3, 2021.

^[2] Most recent UNWTO statistics available as at November 13, 2021.

^[3] Conducted in September 2021, 4,700 people were surveyed in 11 markets.

4.7.3 Consumer Trends

The pandemic situation and its constant evolution are having an impact on travel patterns, at least in the short term. The Corporation has noted an increase in last minute bookings and in the demand for greater flexibility to change or cancel a booking.

The Corporation has also noted that travellers are more concerned about health and safety related measures. Travel insurance is more important to travellers, in terms of both medical and cancellation coverage. In a changing context, travellers are more mindful of their responsibilities and those of their service providers.

UNWTO experts are expecting an increased demand for outdoor and nature tourism activities and an increased interest in domestic tourism and “slow travel” experiences.

The Corporation also feels that the importance of sustainable tourism is gaining ground. The pandemic has affected people in all facets of their lives and brought about a stronger awareness of the social and environmental impacts of travel, including overtourism and climate change.

4.8 The Regulatory Environment in which we Operate

As a vertically integrated company, we are involved on all levels of operation specific to leisure travel. As a result, we operate in a highly regulated environment at all levels, from air carriers to tour operators and travel agencies. All our companies and divisions hold all licenses, certificates and permits necessary for their operations and are in compliance, in all material respects, 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

General information

In Québec, Ontario and British Columbia, where most of our operations are centered, most 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* ("TICO") and *Consumer Protection BC* are the designated authorities 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 licenses 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 favor 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.

Québec is the only province where the compensation fund (Compensation Fund for Customers of Travel Agents or the "CFCT") is made up of customer contributions.

When the value of the CFCT is equal to or greater than \$125 million on March 31 of each year, customers of Travel Agents are credited the amount of their contribution to the CFCT, thereby making the protection free-of-charge. Collection of contributions will resume, according to the calculation prescribed in the regulation, if the surplus accumulated as of March 31 of each year decreases under the \$75 million threshold. From January 1, 2019 to October 31, 2021, Travel Agents were no longer required to collect the contribution to the compensation fund from their customers. Customers of Travel Agents could therefore benefit from the fund free of charge. As of March 31, 2019, the value of the compensation fund was \$141.7 million, meaning that Travel Agent customers were still not required to contribute to the fund during this period.

Customers can claim directly from the CFCT if they do not receive the services for which they have paid in the event of a supplier default or because of a reason outside a customer's control. The total compensation per event could not exceed 60% of the surplus accumulated in the CFCT as of the previous March 31 or be less than \$30 million. However, given the estimated total value of the claims presented to the CFCT due to the COVID-19 pandemic, the *Regulation respecting certain temporary measures relating to the Fonds d'indemnisation des clients des agents de voyages* came into force on October 14, 2021. Under this regulation, the maximum compensation per event was increased to 75%.

Moreover, the above-mentioned lower threshold of \$30 million does not apply until December 31, 2023. After that date, this threshold will not apply until the fund's accumulated surplus reaches \$50 million.

In Ontario, as opposed to Québec, tour operators and Travel Agents are responsible for financing travellers' financial protection through the Ontario Travel Industry Compensation Fund. In December of 2017, the Ontario government adopted the *Strengthening Protection for Ontario Consumers Act, 2017*. With this legislation, the Ontario government amended, *inter alia*, the *Travel Industry Act, 2002*, for the purpose of, among other things, modernizing it, strengthening consumer protection and lightening the regulatory burden imposed on travel agencies.

No changes were made to the compensation fund, which continues to be administered and managed in accordance with the applicable regulation, namely the *Ontario Regulation 26/05* (the "Regulation").

Since April 1, 2017, the rate of contribution to the Ontario compensation fund is \$0.25 for every thousand dollars of travel services sold. As in Québec, taxpayers, 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 default of an end supplier. The maximum amount that may be reimbursed out of the compensation fund to a customer or Travel Agent for 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 \$7.0 million.

Furthermore, in 2017, the Ministry of Government and Consumer Services (the "Ministry") consulted stakeholders about the development of the Regulation and the proposed regulatory changes. As such, it is still possible that the rules governing the CFCT could be amended.

In British Columbia, as in Ontario, the compensation fund is made up of Travel Agent and travel wholesaler 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. This contribution holiday applies when the book value of the Travel Assurance Fund is at least \$2.0 million, and the licensee has paid the required contributions for successive semi-annual periods totaling three years.

Situation since March 11, 2020 (COVID-19)

The unprecedented global crisis due to the COVID-19 pandemic, as declared by the World Health Organization (the "WHO") on March 11, 2020, has hit the airline industry hard. Since this date, like many other governments worldwide, the Canadian Federal government as well as provincial and local municipal governments, have taken strict exceptional measures in face of this health crisis. This crisis puts extreme pressure on all sectors of the economy without sparing tour operators or travel agents.

In Quebec, certain measures have been put in place to support travel agents, among others. As such, the *Regulation respecting certain temporary measures for the payment of the duties payable for a travel agent license*, a travel counselor certificate and a travel agency manager certificate aims to exempt travel agents, travel counselors and travel agency managers from having to pay fees from March 1, 2021, to February 28, 2022.

Furthermore, as explained above, the exemption for contributing to the CFCT ended on October 31, 2021. Contributions to the CFCT were reinstated on November 1, 2021, and set at 0.35% of the amount of tourism services purchased by the customer. This will be maintained until December 31,

2023. The government of Québec indicated that the situation will be re-evaluated based on the surplus in the fund on March 31, 2022.

Lastly, consumers who filed a claim with the CFCT for cancelled vacation packages in connection with the COVID-19 pandemic, should be reimbursed by the CFCT. Notwithstanding the foregoing, in April 2021, the Corporation announced a refund program and has been refunding customers since that date.

In Ontario, special measures were adopted for tour operators and travel agents. At the end of March 2020, the legislator quickly amended *Ontario Regulation 26/05* under the *Travel Industry Act 2002*, in order to alleviate the burden for registered travel agents and tour operators as well as to improve the protection for certain travellers affected by the COVID-19 pandemic. The financial reporting process for certain registrants based on their annual sales figures was simplified, but not eliminated. Working capital thresholds were eliminated and replaced by an obligation to maintain a positive working capital instead. The credit voucher solution was endorsed and a framework was established. More specifically, when clients do not receive the travel services that they have paid for, travel agencies or tour operators registered in Ontario must provide a reimbursement, acceptable equivalent alternative travel services, OR a credit voucher. Despite this change in legislation, if the vendor's failure to provide such services is due to the COVID-19 pandemic as of March 30, 2020, then, until April 1, 2022, travel agencies and tour operators that sold these services, may choose to only issue credit vouchers, provided that the credit voucher (i) is at least of equal value to the services not provided; (ii) is valid for a minimum of one year from the date it is issued to the customer; and (iii) may be used to purchase other travel services after the expiry of the one-year period. Ontario also expanded the coverage of the compensation fund for claims involving travel vouchers that are not honored by travel agencies or tour operators registered in Ontario for COVID-19-related reasons until March 31, 2024.

In 2021, TICO announced in one of its "Registrar Bulletins," a temporary exemption as it relates to the fees. As a result of this exemption travel agents and wholesalers would not have to pay their annual registration renewal fees or Travel Industry Compensation Fund payments ("Form-1") owed to TICO between April 1, 2020 to March 31, 2021. In another "Registrar Bulletin," TICO announced that this exemption was renewed for another year from April 1, 2021, to March 31, 2022.

At this time, the reimbursement protocol in British Columbia remains uncertain, given that the suspension of contributions otherwise required to be paid to permit holders under the law has not yet been lifted. Last year there was no increase in required fees. As such, the various required fees will increase by 4% as of January 1, 2022 until January 1, 2024 inclusively.

4.8.1.1.1 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 *Travel Agent Act* and its Regulation provide that a Travel Agent who wishes to unilaterally change the price of the travel services provided in a contract entered into with a client 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 applicable 45 days prior to the date on which the services are to be provided (the date of departure in most cases) has increased by more than 5% since the date on which the contract was entered into (the date of purchase in most cases); (ii) no price increase may occur within 30 days prior to the date on which the services are to be provided (once again, the date of departure in most cases); 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.

Since January 1, 2017, Ontario's legislation requires, just as the Québec legislation, that any advertising indicating a trip's price must also include all fees and taxes. The *Travel Industry Act, 2002* 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 less 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.

The *Air Transportation Regulations* (Canada) 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 should be noted that these 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.

4.8.1.1.2 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 licenses 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 Air are required by law to hold a license 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 Air issued a letter of credit of £2.1 million to the CAA. The holders of an ATOL license must deliver their certificate to every customer booking a trip covered by their ATOL license. 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 ATOL protected. However, Canadian Air 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. 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. Customer financial protection is provided for the sale of vacation packages excluding airfare (not covered by the ATOL protection) through a financial guarantee scheme managed by ABTA. Based on these measures, Canadian Air issued a letter of credit of £0.7 million to ABTA.

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 27 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 27 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 EU 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

In Canada, the *Aeronautics Act*, R.S.C. 1985, c. A-2, the *Canada Transportation Act* and the *Transportation Modernization Act*, S.C. 2018, c. 10 are the three principal legislative instruments that regulate the operation of a commercial airline in Canada. Such operation is subject to the issuance of the required licenses 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. Licenses 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.

The large majority of Air Transat's flights are operated under scheduled air service licenses (domestic, cross-border and international). In fact, Air Transat is licensed by the Agency to operate scheduled flights within Canada and between Canada and the following countries: the EU (representing its current 28 member states), Switzerland, the United Kingdom of Great Britain, Northern Ireland, Turkey, Israel, the United States, Mexico, Cuba, Jamaica, the Bahamas, Barbados, Panama, Costa Rica, Nicaragua, El Salvador, Colombia, Antigua and Barbuda, St. Lucia, Netherlands Antilles, French West Indies, Curaçao, the Dominican Republic and Haiti. These operations are subject to the rules established under the bilateral air transport agreements entered into by Canada and these respective countries and supranational authorities.

On May 23, 2018, the Parliament of Canada adopted the Transportation Modernization Act. The main elements of this legislation that have directly affected the Corporation are the following: (i) the establishment of a framework for an airline passenger rights regime that imposes 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, the whole as provided in the Air Passenger Protection Regulations ("APPR") which came into force on July 15, 2019. On July 3, 2021, the Agency published *Regulations Amending the Air Passenger Protection Regulations* ("Amending Regulations") which are primarily intended to modify the obligations of air carriers in the event of delays, denied boarding and cancellations due to situations beyond their control. The final text of the Amending Regulations are currently under review by the Agency and management cannot yet assess its impact on the Corporation's operations or if or when the Amending Regulations will be adopted (ii) an 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%, subject to the stated restrictions; (iii) the establishment by the federal minister of transport of an approval and exemption from competition law process for airline joint ventures. 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 offense. 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 is also required to comply with the *Accessible Transportation for Persons with Disabilities Regulations* (the "ATPDR") which came into force on June 25, 2020. Under the provisions of the ATPDR, the Corporation is primarily required to (i) ensure that its aircraft are accessible by complying with specific technical requirements (ii) meet communication needs of travelers with disabilities (iii) provide accessible services and (iv) make border and security screening more accessible.

Air Transat, like Transat Tours, 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 the commercial activities of a federally regulated business like Air Transat. 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 to the 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 (see below for the situation in Québec). The PIPEDA requires informed consent, either express or implied, 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 Air Transat's privacy policies meet or exceed PIPEDA requirements.

It should be noted that when operating in Quebec, Transat Tours is instead subject to the application of the *Act respecting the protection of personal information in the private sector* ("Privacy Act"), which is substantially similar to the PIPEDA. The Privacy Act requires the informed consent, implied or express, as appropriate, of the individuals whose personal information is collected or for other purposes specified or permitted by the Privacy Act. Transat Tours' privacy policies meet or exceed the requirements of the Privacy Act.

As a result of the passage of Bill 64, An Act to modernize legislative provisions as regards the protection of personal information, new requirements will be introduced to the Privacy Act, primarily in September 2023. As of September 2022, this will include the requirement to appoint a privacy officer and to report privacy incidents. These changes will have little impact on Transat's practices as it has already appointed a privacy officer and disclosure obligations already exist under other privacy legislation.

As at the date of this AIF, Air Transat holds all necessary licenses, 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 regulates matters such as 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 licenses, permits and authorizations. We are of the opinion that Air Transat holds all licenses, 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 ESG Approach

Transat and all of its employees place great importance on corporate environmental and social responsibility, as well as good governance and sound business conduct (the environmental, social and governance or “ESG” factors) which are inextricably linked to and part of, our corporate culture.

Even more crucial is our ESG approach and strategy and Transat plans to put in place a comprehensive ESG strategy during 2022, building on and expanding many years of corporate responsibility efforts. This issue is requiring special attention and regular monitoring by management and the Board, and we have strengthened governance in this regard.

About fifteen years ago, we undertook a structured approach to sustainability, such as by applying policies, systems and certifications to direct our actions.

Transat’s Board of Directors formally adopted a sustainable tourism policy in 2008, which gave rise to other policies such as regarding environmental protection and sustainable procurement.

In 2018, Transat became the first major international tour operator to be Travelife certified for all its activities. Since our Travelife certification is being renewed, we are working to develop a new 2022-2024 action plan. This plan will focus on recovery – some projects were put on hold due to the shutdown of operations and lack of resources – and continuing efforts that were undertaken when we first certified in 2018. As such, employee training, customer awareness and supplier commitment continue to be priority projects.

The pandemic has had and continues to impact society as a whole. In addition to the Corporation, it also impacted shareholders, employees, customers, partners, travel destinations and other stakeholders. We have taken significant efforts to minimize the impact of this crisis on the company and its employees and to maintain good relations with our stakeholders throughout the crisis.

Over the years, and especially due to the pandemic, we note that our customers have become increasingly aware of sustainable tourism, regardless of their reason for travelling, whether for the

purposes of a vacation, visiting family and friends, learning about other cultures or discovering vibrant destinations or protected natural environments. This raised awareness strongly encourages us to continue our efforts in this area.

As part of our 2022-2026 strategic planning process, we have identified three key business priorities, namely managing our carbon emissions, which is a high-priority issue, ensuring inclusion and diversity within the company, and providing training and development.

In 2021, we were recognized for the fourth-time as the World's Best Leisure Airline at the Skytrax World Airline Awards. This prestigious award is a testament to our customers' appreciation of the Air Transat experience, which is driven by a passionate and dedicated team.

This year we also ranked in two of the annual world rankings by Forbes, namely as one of the World's Best Employers and one of the World's Top Female-Friendly Companies.

Moreover, in June 2021, Transat was ranked 21st in the annual ranking of the Best 50 Corporate Citizens in Canada established by Corporate Knights research firm. It was the only company in its sector to be included in this ranking that recognizes organizations with outstanding social engagement, environmental management and governance results.

4.8.3.1 Environment

Transat strives to minimize negative environmental impacts of its business and encourages employees, customers and partners to do the same. Over the years, we have implemented many environmental initiatives.

In addition to our efforts on reducing airline carbon emissions, we are working to improve the energy efficiency and environmental performance of our buildings, such as the Air Transat headquarters in Montreal, Quebec, which has been identified as one of the greenest facilities in North America. In the offices we lease, we work with managers to adopt best practices in environmental management, including energy and waste management.

We are making continued efforts to encourage our employees who commute to use more sustainable transportation methods, including promoting active transportation and the installation of electric vehicle charging stations. Moreover, our updated telework policy helps reduce the daily carbon footprint.

We have several processes in place to ensure that we comply, in all material respects with the provisions of environmental laws and regulations applicable to our properties and operations.

- Our environmental management system (EMS), ISO14001:2015, contains a quarterly legal review process whereby any new environmental legislation relevant to Air Transat is identified and compliance is incorporated into our processes and procedures. It should be noted that our official certification was suspended in 2020 due to the pandemic but all EMS processes and procedures were followed internally.
- The Risk Management and Corporate Governance Committee of the Board of Directors conducts an annual risk assessment and reviews corporate environmental policies and procedures.
- Finally, in 2021, we published our first climate-related disclosure report, which contains a detailed assessment of short-, medium- and long-term environmental risks. It also sets out our climate targets, strategy and initiatives.

We are compliant, in all material respects, with all municipal, provincial, federal and international environmental laws. The only exception is the water quality of the effluent from Air Transat's head office and hangar, which does not meet Montreal municipal standards. We are rectifying this situation by installing a hydrodynamic separator, Stormceptor, designed to protect waterways from hazardous material spills and stormwater pollution. The work will be completed by the end of the year.

4.8.3.1.1 Climate Change

The Industry

The airline industry is pursuing ambitious climate change targets. For several years now, it has been working to reduce its greenhouse gas emissions.

Rather than diminishing during the pandemic, concerns about global warming have increased. COP26 (United Nations Framework Convention on Climate Change Conference) in November 2021, in Glasgow, Scotland, put this issue at the forefront.

The airline industry, grouped within IATA, has reiterated its commitment to fighting climate change several times since the beginning of the crisis. It supports the commitments made at COP26 to strengthen climate action. The airlines want to achieve zero net carbon emissions by 2050, consistent with the Paris Agreement's goal of limiting global warming. This very ambitious goal will require the collective effort of the industry and government support.

IATA reiterated the need for global efforts to decarbonize aviation to be supported by concrete and effective government policies, as rapid progress on decarbonization requires accelerating technological change and funding innovative solutions.

This is particularly true for sustainable aviation fuel (SAF), which will play a major role in reducing the environmental impact of aviation and which requires government support to accelerate its production.

Investments in new aeronautical technologies, especially in alternative propulsion (electric and hydrogen) will be necessary to achieve net zero emissions. Aircraft have a lifespan of more than 25 years before they are replaced, and today's aviation turbo fuels have unique properties that make them a propulsion method that is incomparable with batteries, hydrogen or other solutions. The aeronautical industry has never stopped innovating. However, the development of new aircraft and engine technologies is complex, time-consuming and costly, and alternative propulsion modes will not be available before 2030-2035 for short-haul flights and 2050 for long-haul flights, while other sectors, which are easier to decarbonize, already have alternative energies.

To a lesser extent, continued improvements in infrastructure and operational efficiency, particularly air traffic management, will provide further carbon reduction gains.

While the management of climate commitments by international aviation is not part of the COP process but is rather the responsibility of ICAO (International Civil Aviation Organization), countries discussed this issue at COP26. Canada and 22 other nations signed the International Aviation Climate Ambition Coalition Declaration at COP26, which recognizes the need for aviation to grow sustainably and reaffirms ICAO's role in implementing short-, medium- and long-term climate goals for the sector. In essence, the dual objectives of the declaration are to ensure maximum effectiveness of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), and the development and roll out of sustainable aviation fuels (SAF), both of which are essential to achieving carbon neutrality by 2050.

Transat

Despite the impact of the COVID-19 pandemic, Transat is committed to reducing its current and future carbon emissions. We are aiming for carbon-neutral growth starting in 2019 and net zero in 2050. Currently under review, our 2030 target will be set in 2022.

For many years, we have been taking concrete steps to reduce our air carbon emissions. Introduced in 2004, our fuel management program helps us improve the fuel efficiency of our flight and ground operations. The renewal of our fleet, which began in 2019 with the arrival of our first Airbus A321neoLR, continues. This aircraft has the lowest fuel consumption and greenhouse gas emissions (CO₂ and NO_x) in its class. As compared to the previous generation of Airbus A321neoLRs, they consume 15% less fuel and reduce NO_x emissions that contribute to smog and acid rain by 50%, in addition to producing 50% less noise in the cabin and for communities.

The Corporation considers sustainable aviation fuel (SAF) to be a key element in achieving our goal of reducing greenhouse gas emissions. We recognize the importance of supporting the development of sustainable fuels in Canada and ensuring a long-term supply for our airline operations. In November 2021, Air Transat, an early partner of SAF+ Consortium, signed a commercial agreement for 90% of SAF+ Consortium's sustainable electro-fuel to be produced at its first Montreal plant for the first fifteen years of operation. The agreement, which also includes support for the development of the project, confirms our commitment to addressing climate change by becoming the first airline in Canada to reserve a significant volume of electro-fuel for a long period of time.

By 2025-2026, the SAF+ Consortium aims to market a synthetic kerosene (electro-fuel) with an 80% smaller carbon footprint than fossil kerosene by capturing 120,000 tons of CO₂ per year. Its technology involves producing synthetic liquid fuel by recovering and combining CO₂ from industrial sources with green hydrogen generated in Québec. While there are several types of sustainable fuels, the Corporation considers electro-fuel to be a particularly promising avenue because it does not compete with other uses for its raw material.

We are part of the first phase of the CORSIA implementation in which Canada is a voluntary participant.

Emissions trading schemes

CORSIA

In 2016, with the ICAO's backing, a new global market-based mechanism was agreed to that created a voluntary carbon-offsetting system for international aviation emissions as of 2021. This system, referred to as CORSIA, 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 (2021-2023). Consequently, beginning in 2021, carbon emissions generated by an Air Transat aircraft operated from Canada to another non-exempted country that has agreed to take part in the voluntary transition phase will need to be offset through one or more authorized programs, based on the progressive increase of carbon emissions on the route in comparison with the baseline. Air Transat is legally required to submit an emissions MRV ("Monitoring, Reporting, and Verification") plan to the Canadian government to comply with CORSIA. Air Transat submitted a MRV plan at the beginning of 2019, and the plan was accepted by Transport Canada, the authorized authority for the government of Canada. Air Transat, like all airlines, is required to monitor its emissions since January 1, 2019, and to submit a yearly verified emission report. The comparative emissions analysis was initially supposed to be 2019 and 2020, but due to the COVID-19 pandemic the reference year will be 2019. Air Transat will be required to purchase carbon offsets to cover emissions growth on routes covered by participating states based on the 2019 baseline. Payments are made over three-year

cycles. For example, in 2024, we will be required to purchase carbon credits covering the emissions increase on the CORSIA routes for the years 2021–2024. Important costs will thus be incurred every three years. However, due to flight volume decreases caused by the pandemic we do not expect to have to purchase offsets for the first years of the scheme. Determining the cost of the emissions will depend on participating countries, growth on qualified city pairs, and the type of eligible carbon offsets. Since there are too many unknown factors, it is currently difficult to make an accurate future cost prediction.

ETS IN EUROPE

Air Transat is subject to the regulation concerning the EU's Emissions Trading Scheme ("EU ETS") for aviation and that of the UK ("UK Allowances" or "UKA"). The EU ETS only governs intra-EEA ("European Economic Association") flights and the UKA only governs intra-UK flights. Under these systems, emissions from these flights must be monitored, reported to the relevant governmental agencies, and verified by an external party. If our emissions exceed our free allocation, allowances must be purchased and reimbursed to cover the excess. The emissions cost of these flights is currently not material for Air Transat because they represent a very small percentage, less than 0.1%, of our overall routes and because in most years we receive enough free allowances to cover our emissions.

Canadian ETS & Clean Fuel Standard

To deliver on our commitments under the Paris Accord, the Canadian government set a minimum price for carbon in the Pan-Canadian Framework on Clean Growth and Climate Change. The federal minimum price started at \$20 per ton of CO₂ equivalent in 2019. In 2021 it is \$40, rising to \$50 in 2022 and increasing by \$15 annually until it reaches \$170 in 2030. It should be noted that only domestic aviation is included under the Paris Agreement. Certain provinces such as British Columbia have already started to tax fuel on intra-provincial flights. As Air Transat has virtually no intra-provincial flights, this measure will not have any economic impact. In the future, the Canadian government may decide to implement a domestic ETS for intra-Canadian flights that would impact our costs. The government has been talking about this for quite some time, but has not announced any formal plans or timetable.

The Canadian government may include aviation in the Clean Fuel Standard, which would require airlines to use a certain percentage of less carbon intensive fuels such as sustainable aviation jet fuel. A growing number of countries, such as Norway, Sweden, Germany, the Netherlands and the UK, as well as the EU have, or are planning, SAF blending mandates over the upcoming years. This will pose a significant challenge as these types of fuels are in very short supply for aviation and cost considerably more than ordinary jet fuel.

By entering into an offtake agreement with SAF+ Consortium, we hope to secure a long-term supply of e-fuel starting in 2025–2026. Although SAF offtake agreements are common in Europe and the United States, to our knowledge, Air Transat was the first Canadian airline to enter into such an agreement, which, in our opinion, gives us a strategic advantage on securing a scarce resource and positioning Transat as a leader in aviation decarbonization.

Upcoming Legislation

Despite the pandemic, or perhaps because of it, the commitment to decarbonize aviation has increased considerably in the last year. Nevertheless, governments are concerned about the effects of climate change and need to meet carbon reduction targets. To do so, all sectors are targeted, and aviation is no exception. For example, France has banned short haul flights where the same journey could be made by train in under two-and-a-half hours. Germany is considering similar legislation and Spain is expected to follow. In addition, as part of the Green Deal the EU has released their "Fit for 55

Package,” which plans to reduce emissions 55% by 2030 with the objective to become the world’s first climate neutral continent by 2030.

There are three proposals that could have a significant impact on aviation:

1. Revise the ETS to progressively phase-out free allowances distributed to aircraft operators (less 25% in 2024, 50% in 2025, 75% in 2026 and 100% from 2027 onwards). In addition, the emissions cap would be reduced by 4.2% annually. Finally, the ETS would continue to apply to all intra-EEA flights as well as flights to the UK and Switzerland.
2. The ReFuelEU aviation proposal would mandate increasing SAF blending requirements, including a minimum portion of synthetic power-to-fuel jet fuel:
 - a. 2% from 2025.
 - b. 5% from 2030, with a minimum of 0.7% e-kerosene.
 - c. 20% from 2035, with a minimum of 5% e-kerosene.
 - d. 32% from 2040, with a minimum of 8% e-kerosene.
 - e. 38% by 2045; with a minimum of 11% e-kerosene; and
 - f. 63% by 2050, with a minimum of 28% e-kerosene.
3. The Energy Taxation Directive would end current tax exemptions on jet fuel established under the Chicago Convention. From 2023 the tax would start at zero and increase linearly over 10 years until €10.75/GJ is reached. This would significantly increase the cost of kerosene purchased in Europe.

These proposals are being reviewed in a process expected to take between 1 and 2 years. If implemented as currently stated, they would have a significant effect on Air Transat’s business by significantly increasing operating costs and potentially reducing demand for European flights.

4.8.3.2 Social Commitment

Throughout our history, together with our employees, we are engaged in supporting the community. Transat, its employees and customers contribute to numerous social projects in Canada and in our destination countries. We invest in local and international humanitarian aid, child protection, and in culture, health and education initiatives.

In 2020 and 2021, we significantly reduced our philanthropic contributions due to our financial situation. However, we wished to maintain our long-term commitments to our key partners and, in agreement with them, we have deferred some major contributions for a year or two as a reflection of our means.

In the fall of 2020 and 2021, despite the difficult context, we decided to hold our annual fundraising campaign with our staff for the benefit of the United Way/Centraide and SOS Children’s Villages, knowing that vulnerable people, especially children, were particularly affected by the pandemic and its collateral impact.

In 2010, we made a commitment to fight against the sexual exploitation of children in our tourist destinations, with the international organization Beyond Borders/ECPAT Canada, and to train our employees with regard to this important social issue.

Since 2011, Transat employees have been given a paid day off to volunteer in their community. While this day can be taken individually, we encourage participation by organizing group activities. However, the latter component has been suspended since March 2020 due to health restrictions. We would like to resume it as soon as conditions allow.

4.8.3.3 Governance

As is the case for most companies, we are facing increasing stakeholder expectations in terms of governance. Transat is expected to create shareholder value, while continuously improving sustainability and mitigating the risks associated with its operations, including climate-related risks.

The long-term success of the company depends, among other things, on good risk and opportunity management, supported by the company's management and overseen by our Board of Directors and its committees.

The Fight against Global Warming

We recognize that global warming will impact many aspects of Transat's business and that responsible management of climate issues and risks is essential. Therefore, we have implemented a structure and reporting system to ensure strong governance and transparency of climate-related risks and opportunities.

The Board of Directors has primary responsibility for overseeing Transat's risk management system through the Risk Management and Corporate Responsibility Committee. From 2021 onwards, climate-related issues will be a permanent agenda item at the Risk Management and Corporate Responsibility Committee meetings. The Committee will receive a detailed update at least once a year on the company's progress on climate change and environmental objectives and strategy.

The Board of Directors receives regular updates on climate-related issues and sustainable strategies.

Ethics

At Transat, we strongly believe that the conduct set out in our Code of Ethics promotes a healthy workplace and fair business practices, while consolidating the trust of our stakeholders and Transat's reputation. Our employees regularly reaffirm their commitment to these rules in their day-to-day conduct and relationships with others. This Code is also a decision-making tool for all staff.

Members of the Board of Directors are also required to comply with the Code of Ethics, as well as the Charter of Expectations for Directors, each of which is designed to promote best practices and ethical business conduct.

Data Protection and Cybersecurity

Cybersecurity is a priority for Transat to support the company's digital transformation, optimize the services provided to our customers and comply with regulations. Under the direction of the Chief Information Security Officer, our teams and partners, implement and oversee the cybersecurity program, which consists of policies, standards and controls designed to manage risks related to the confidentiality, integrity and availability of all data, applications and systems.

Transat takes protecting the confidential and privacy of personal information relating to its customers, employees and business partners very seriously. Since 2018, we have been applying the European Union's General Data Protection Regulation (GDPR) to all of our operations, including in Canada, although it is more demanding than Canada's Personal Information Protection and Electronic Documents Act (PIPEDA). As required by the European regulation, we have appointed a Data

Protection Officer, who is supported by a cybersecurity team. Please see section 4.8.2.2 for more information regarding the protection and confidentiality of personal information relating to the Corporation's customers, employees and business partners.

The cybersecurity program aims to continuously strengthen and modernize our IT security processes and measures. Moreover, we have put in place a team of experts and a security breach response plan to help guide our actions and mitigate the damage should a breach occur.

Finally, we believe that our employees are our best line of defense against cybercrime and we do everything in our power to ensure that they acquire the proper reflexes when faced with fraudulent acts, like phishing. This is why we require all staff to undergo mandatory cybersecurity training twice a year, privacy training and an education program and continuing information, supplemented by monthly phishing campaigns and quarterly cyber attack simulations.

Information Disclosure

We also ensure that disclosure of information about Transat to investors, the media and the public is timely, factual, accurate and broadly disseminated, all in accordance with all applicable laws and regulations.

In May 2021, we published an annual climate-related disclosure report in connection with the CEEFC loan obtained from the Canada Enterprise Emergency Funding Corporation. Aligned with the TCFD recommendations, this report is a milestone in the evolution of our disclosure in this matter. Over the next few years, these reports will integrate other disclosure standards such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) or the Carbon Disclosure Project.

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, 2021, available for consultation on SEDAR ([sedar.com](https://www.sedar.com)).

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, among other things, contend with business challenges arising from the prevailing economy and continue to implement its strategic plan. 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, 2021, available for consultation on SEDAR (www.sedar.com).

7. OUR SHARE CAPITAL STRUCTURE

7.1 Constraints on Share Ownership

Class A Variable Voting Shares

An unlimited number of participating Class A Variable Voting Shares ["Class A Shares"], which may be owned or controlled only by non-Canadians as defined by the *Canada Transportation Act* ["CTA"], carry one vote per share at any meeting of shareholders subject to an automatic reduction of the voting rights attached thereto in the event that [i] any non-Canadian, individually or with persons of the same group, holds more than 25% of the votes cast, [ii] any non-Canadian authorized to provide an air service in any jurisdiction (in aggregate) holds more than 25% of the votes cast, or [iii] the votes that would be cast by holders of Class A Shares would be more than 49%. If any of the above-mentioned applicable limitations are exceeded, the votes that should be attributed to holders of Class A Shares will be attributed as follows:

- first, if applicable, there will be a reduction in the voting rights of any non-Canadian individual (including a non-Canadian authorized to provide an air service) whose votes total more than 25% of the votes cast, so that such non-Canadian holder may never hold more than 25% (or such other percentage as may be prescribed by an act or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast at a meeting;
- next, if applicable, and once the pro rata distribution as described above is made, a further pro rata reduction will be made in the voting rights of all holders of Class A non-Canadian Shares authorized to provide an air service, so that such non-Canadian holders may never hold votes totalling more than 25% (or such other percentage as may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast, all classes combined, at a meeting;
- last, if applicable, and once the two pro rata allocations described above have been made, a proportional reduction will be made in the voting rights of all holders of Class A Shares, so that all non-Canadian holders of Class A Shares may never hold votes totalling more than 49% (or such other percentage as may be prescribed by law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total votes cast, all classes combined, at a meeting.

Each issued and outstanding Class A Share shall be automatically converted into one Class B Voting Share without any further action on the part of the Corporation or of the holder if [i] the Class A Share is or becomes owned or controlled by a Canadian as defined by the CTA; or [ii] the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

Class B Voting Shares

An unlimited number of participating Class B Voting Shares ["Class B Shares"], which may only be owned and controlled by Canadians within the meaning of the CTA, and entitling such Canadians to one vote per Class B Share at any meeting of the shareholders of the Corporation. Each issued and outstanding Class B Share shall be converted into one Class A Share automatically without any further action on the part of the Corporation or the holder if the Class B Share is or becomes owned or controlled by a non-Canadian as defined by the CTA.

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 shareholder 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 General Description of our Share Capital

As at the date of this AIF, Transat's share capital is composed of an unlimited number of Voting Shares and Variable Voting Shares. As at October 31, 2021, there were 1,694,125 issued and outstanding Variable Voting Shares and 36,052,965 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.

7.3.1 Class A Variable Voting Shares

7.3.1.1 Voting Rights

The holders of Class A Variable Voting Shares (hereinafter, the "Variable Voting Shares") shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class are entitled to vote separately as a class as provided in the *Canada Business Corporations Act* (hereinafter, the "CBCA").

The holders of Variable Voting Shares shall be entitled to one vote per Variable Voting Share held, unless any of the thresholds set forth in Sections 7.3.1.1.1, 7.3.1.1.2 and 7.3.1.1.3, as the case may be, are otherwise surpassed at any time, in which case the votes attached to a Variable Voting Share will decrease as described in this Section 7.3.1.1 below.

7.3.1.1.1 Single Non-Canadian Holder

If at any time:

- (i) a single non-Canadian holder, either individually or in affiliation with any other person, holds a number of Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, exceeds 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation), or
- (ii) the total number of votes that would be cast by or on behalf of a single non-Canadian holder, either individually or in affiliation with any other person, at any meeting, would exceed 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting;

then the votes attached to each Variable Voting Share held by such single non-Canadian holder and by any person in affiliation with such single non-Canadian holder will decrease proportionately and automatically without further act or formality only to such extent that, as a result (a) the Variable Voting Shares held by such single non-Canadian holder and by any person in affiliation with such single non-Canadian holder do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation, and (b) the total number of votes cast by or on behalf of such single non-Canadian holder and by any person in affiliation with such single non-Canadian holder at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

7.3.1.1.2 Non-Canadian Holders Authorized to Provide Air Service

If at any time:

- (i) one or more non-Canadian holders authorized to provide air service, collectively hold, either individually or in affiliation with any other person, a number of Variable Voting Shares outstanding that, as a percentage of the total number of all voting shares outstanding, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any single non-Canadian holder and by any person in affiliation with such single non-Canadian holder in accordance with Section 7.3.1.1.1 (if any, as may be required thereunder), exceeds 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation); or
- (ii) the total number of votes that would be cast by or on behalf of non-Canadian holders authorized to provide air service and persons in affiliation with any non-Canadian holders authorized to provide air service at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any single non-Canadian holder and by any person in affiliation with such single non-Canadian holder in accordance with Section 7.3.1.1.1 (if any, as may be required thereunder), exceed 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting,

then the votes attached to each Variable Voting Share held by all non-Canadian holders authorized to provide air service and by persons in affiliation with any non-Canadian holders authorized to provide air service will decrease proportionately and automatically without further act or formality only to such extent that, as a result (a) the Variable Voting Shares held by all non-Canadian holders authorized to provide air service and by persons in affiliation with any non-Canadian holders authorized to provide air service do not carry in the aggregate more than 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation, and (b) the total number of votes cast by or on behalf of all non-Canadian holders authorized to provide air service and by persons in affiliation with any non-Canadian holders authorized to provide air service at any meeting do not exceed in the aggregate 25% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

7.3.1.1.3 General Voting

If at any time:

- (i) the number of Variable Voting Shares outstanding as a percentage of the total number of all voting shares outstanding after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any single non-Canadian holder and by any person in affiliation with such single non-Canadian holder in accordance with Section 7.3.1.1.1. and after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by non-Canadian holders authorized to provide air service and by persons in affiliation with any non-Canadian holders authorized to provide air service in accordance with Section 7.3.1.1.2 (in each case, if any, as may be required under such Sections), exceeds 49% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation); or
- (ii) the total number of votes that would be cast by or on behalf of holders of Variable Voting Shares at any meeting would, after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by any single non-Canadian holder and by any person in affiliation with such single non-Canadian holder in accordance with Section 7.3.1.1.1 and after the application of the automatic proportionate decrease to the votes attached to all of the Variable Voting Shares held by non-Canadian holders authorized to provide air service and by persons in affiliation with any non-Canadian holders authorized to provide air service in accordance with Section 7.3.1.1.2 (in each case, if any, as may be required under such Sections), exceeds 49% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

then, the votes attached to each Variable Voting Share will decrease proportionately and automatically without further act or formality only to such extent that, as a result (a) the Variable Voting Shares do not carry more than 49% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the aggregate votes attached to all issued and outstanding voting shares of the Corporation, and (b) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting do not exceed 49% (or any different percentage that may be prescribed by a law or regulation of Canada and approved or adopted by the directors of the Corporation) of the total number of votes cast at such meeting.

7.3.1.2 Dividends

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

7.3.1.3 Subdivision or Consolidation

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

7.3.1.4 Liquidation, Dissolution or Winding-up

Subject to the rights, privileges, restrictions and conditions attaching to other classes of shares ranking prior to the Variable Voting Shares, upon liquidation, dissolution or winding-up of the Corporation, the holders of voting shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

7.3.1.5 Conversion

7.3.1.5.1 Automatic

Each issued and outstanding Variable Voting Share shall be convertible into one Voting Share, automatically and without any further act on the part of the Corporation or the holder, if:

- (iii) such Variable Voting Share is or becomes owned and controlled by a Canadian; or
- (iv) the provisions contained in the CTA relating to foreign ownership restrictions are repealed and not replaced with other similar provisions.

7.3.1.5.2 Upon an Offer

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 province of Canada to which the requirement applies, 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 Section 7.4.1.1, notwithstanding their conversion. The transfer agent shall deposit the resulting Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or such holder's attorney duly authorized in writing shall:

- (i) give written notice to the transfer agent of the exercise of such right and of the number of Variable Voting Shares in respect of which the right is being exercised;
- (ii) deliver to the transfer agent the share certificate or certificates representing the Variable Voting Shares in respect of which the right is being exercised; and
- (iii) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing Voting Shares resulting from the conversion of Variable Voting Shares shall be delivered to the holders on whose behalf such deposit is being made.

If Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the offeror; or the offer is abandoned or withdrawn by the offeror or the offer otherwise expires without such Voting Shares being taken up and paid for, the Voting Shares resulting from the conversion will be reconverted into Variable Voting Shares and a share certificate representing the Variable Voting Shares will be sent to the holder by the transfer agent. Voting Shares resulting from the conversion and taken up and paid for by the offeror shall be deemed reconverted into Variable Voting Shares at the time the offeror is required under the applicable securities legislation to take up and pay for such shares if the offeror is not a Canadian.

In the event that the offeror takes up and pays for the Voting Shares resulting from conversion, the transfer agent shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Variable Voting Shares into Voting Shares in the following cases:

- (i) the offer to purchase Voting Shares is not required under 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 of the holders of Voting Shares in a province of Canada to which the requirement applies, that is, the offer is an “exempt take-over bid” within the meaning of the foregoing securities legislation;
- (ii) an offer to purchase Variable Voting Shares is made concurrently with an offer to purchase the Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all material respects, including in respect of the conditions attaching thereto. The offer to purchase the Variable Voting Shares must be unconditional, subject to the exception that the offer for the Variable Voting Shares may contain a condition to the effect that the offeror is not required to take up and pay for Variable Voting Shares deposited pursuant to the offer if no shares are purchased pursuant to the contemporaneous offer for the Voting Shares; or
- (iii) holders of more than sixty-six and two-thirds percent (66⅔%) of the then outstanding Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any joint actor) certify to the transfer agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Voting Shares.

7.3.1.6 Constraints on Ownership

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

7.3.2 Class B Voting Shares

7.3.2.1 Voting Rights

The holders of Class B Voting Shares (hereinafter, the “Voting Shares”) shall be entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Corporation, except where the holders of a specified class are entitled to vote separately as a class as provided in the CBCA. Each Voting Share shall confer the right to one vote per share at all meetings of the shareholders of the Corporation.

7.3.2.2 Dividends and Distributions

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

7.3.2.3 Subdivision or Consolidation

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

7.3.2.4 Liquidation, Dissolution or Winding-up

Subject to the rights, privileges, restrictions and conditions attaching to other classes of shares ranking prior to the Voting Shares, upon liquidation, dissolution or winding-up of the Corporation, the holders of voting shares shall be entitled to receive the remaining property of the Corporation and shall be entitled to share equally, share for share, in all distributions of such assets.

7.3.2.5 Conversion

7.3.2.5.1 Automatic

Subject to the foreign ownership restrictions of the CTA, an issued and outstanding Voting Share shall be converted into one Variable Voting Share, automatically and without any further act of the Corporation or the holder, if such Voting Share is or becomes owned or controlled, by a person who is not a Canadian.

7.3.2.5.2 Upon an Offer

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 Section 7.4.2.1, notwithstanding their conversion. The transfer agent shall deposit the resulting Variable Voting Shares on behalf of the holder.

To exercise such conversion right, the holder or such holder's attorney duly authorized in writing shall:

- (i) give written notice to the transfer agent of the exercise of such right and of the number of Voting Shares in respect of which the right is being exercised;
- (ii) deliver to the transfer agent the share certificate or certificates representing the Voting Shares in respect of which the right is being exercised; and
- (iii) pay any applicable stamp tax or similar duty on or in respect of such conversion.

No share certificates representing Variable Voting Shares resulting from the conversion of the Voting Shares will be delivered to the holders on whose behalf such deposit is being made.

If Variable Voting Shares resulting from the conversion and deposited pursuant to the offer are withdrawn by the holder or are not taken up by the offeror; or the offer is abandoned or withdrawn by the offeror or the offer otherwise expires without such Variable Voting Shares being taken up and paid for, the Variable Voting Shares resulting from the conversion will be reconverted into Voting Shares and a share certificate representing the Voting Shares will be sent to the holder by the transfer agent. Variable Voting Shares resulting from the conversion and taken up and paid for by the offeror shall be deemed reconverted into Voting Shares at the time the offeror is required under the applicable securities legislation to take up and pay for such shares if the offeror is Canadian.

In the event that the offeror takes up and pays for the Variable Voting Shares resulting from conversion, the transfer agent shall deliver to the holders thereof the consideration paid for such shares by the offeror.

There will be no right to convert the Voting Shares into Variable Voting Shares in the following cases:

- (i) the offer to purchase Variable Voting Shares is not required under 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 of the holders of Variable Voting Shares, that is, the offer is an "exempt take-over bid" within the meaning of the foregoing securities legislation;
- (ii) an offer to purchase Voting Shares is made concurrently with an offer to purchase Variable Voting Shares and the two offers are identical in respect of price per share, percentage of outstanding shares for which the offer is made, and in all material respects, including in respect of the conditions attaching thereto. The offer to purchase the Voting Shares must be unconditional, subject to the exception that the offer for the Voting Shares may contain a condition to the effect that the offeror is not required to take up and pay for Voting Shares deposited pursuant to the offer if no shares are purchased pursuant to the contemporaneous offer for the Variable Voting Shares; or
- (iii) holders of more than sixty-six and two-thirds percent (66⅔%) of the then outstanding Variable Voting Shares (excluding shares owned immediately prior to the offer by the offeror and any joint actor) certify to the transfer agent and to the secretary of the Corporation that they will not deposit any shares in response to the offer for the Variable Voting Shares.

7.3.2.6 Constraints on Ownership

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

7.3.3 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.

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 sets out the reported high and low and closing prices and trading volume of the Variable Voting Shares and Voting Shares listed and traded under the symbol "TRZ" for each month of the fiscal year ended October 31, 2021.

TRANSAT A.T. INC. "TRZ"			
Month	High	Low	Volume
October 2021	\$4.99	\$4.35	4,403,456
September 2021	\$5.22	\$4.09	7,176,923
August 2021	\$5.80	\$4.72	5,572,784
July 2021	\$6.60	\$5.45	8,640,824
June 2021	\$7.90	\$4.95	22,275,715
May 2021	\$5.49	\$4.31	9,457,852
April 2021	\$5.56	\$4.25	18,066,167
March 2021	\$6.07	\$5.05	5,791,301
February 2021	\$5.36	\$4.48	8,210,381
January 2021	\$5.75	\$4.40	7,748,241
December 2020	\$6.63	\$4.98	17,278,557
November 2020	\$6.05	\$4.55	11,351,430

On October 31, 2021, the closing price on the TSX of the Variable Voting Shares and the Voting Shares was \$4.39 per share.

Prior Sales

On April 29, 2021, the Corporation issued 13,000,000 warrants which are not listed or quoted on any stock exchange. Each warrant may be exercised for one Class B share at a price of \$4.50 per share. For more details, please refer to note 15 of the financial statements in our annual report.

9. OUR DIRECTORS AND SENIOR MANAGEMENT

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	Expected Retirement ⁽¹⁾	Voting Shares Owned or Controlled or Directed ⁽²⁾	Deferred Share Units (DSUs) ⁽¹⁾
Annick Guérard <i>Québec, Canada</i>	President and Chief Executive Officer	May 2021	n/a	71,952	0
Raymond Bachand <i>Québec, Canada</i>	Chair of the Board and Strategic Advisor, Norton Rose Fulbright	March 2014	2023	0	50,864
Louis-Marie Beaulieu <i>Québec, Canada</i>	Chair of the Board and Chief Executive Officer of Groupe Desgagnés Inc.	March 2013	2025	20,000	32,889
Lucie Chabot <i>Québec, Canada</i>	Corporate Director	October 2015	2028	6,290	20,121
W. Brian Edwards <i>Québec, Canada</i>	Corporate Director	June 2010	2023	18,790	50,250
Susan Kudzman <i>Québec, Canada</i>	Corporate Director	March 2014	2026	0	48,528

Name of Director, Province and Country of Residence	Principal Occupation	Director since	Expected Retirement ⁽¹⁾	Voting Shares Owned or Controlled or Directed ⁽²⁾	Deferred Share Units (DSUs) ⁽¹⁾
Jean-Yves Leblanc <i>Québec, Canada</i>	Corporate Director	December 2008	2022	13,000	31,456
Ian Rae <i>Québec, Canada</i>	Founder and Chief Executive Officer of CloudOps Inc.	October 2018	2031	0	5,912
Jacques Simoneau ⁽¹⁾ <i>Québec, Canada</i>	Interim Vice-President, Finance and Administration and CFO and Corporate Director	November 2000	2022	18,280	21,658
Louise St-Pierre <i>Québec, Canada</i>	Corporate Director	October 2017	2030	0	11,915
Philippe Sureau ⁽¹⁾ <i>Québec, Canada</i>	Corporate Director	February 1987	2022	323,209	27,511

(1) According to the Policy on Diversity of the Board and Senior Management and the mechanisms for board renewal approved by the Board of Directors on December 8, 2021, a director, except, if applicable, the President and CEO, must tender their resignation when they reach the age of 75 or when they have served as a director on the Board for a period of 12 years, such resignation to take effect at the next annual meeting. Notwithstanding the foregoing, the Board may determine that, due to exceptional circumstances, it is in the best interests of the Corporation that a director who has reached either of these limits be eligible to stand for re-election for an additional term.

(2) The number of shares or differed share units indicated is given as at October 31, 2021 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 five times the annual retainer to which he or she is entitled after having served five years as a director. Please refer to our most recent Management Proxy Circular.

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 retired from political life on September 13, 2013. Since January 20, 2014, he acts as strategic advisor for the law firm Norton Rose Fulbright;
- Ms. Lucie Chabot was Vice-President and Chief Financial Officer of SAIL Outdoors Inc. from 2014 to 2018 and she was the chair of the board of directors of CDMV from 2017 to 2021. Since May 2019, Ms. Chabot is a member of the board of directors and Chair of the audit committee of Albecour Inc. and a member of the board of directors and Chair of the audit committee and the governance committee of Tourisme Montréal. And since April 2020 she is also a member of the board of directors and the audit committee of Richelieu Hardware Ltd.;
- Ms. Susan Kudzman is an actuary and was Executive Vice-President, Chief Risk Officer and Corporate Affairs at the Laurentian Bank of Canada until 2018. Prior to that, she held the position of Chief Risk Officer at the Caisse de dépôt et placement du Québec. Ms. Kudzman is

currently chair of the board of directors of Yellow Pages and has been a member of the board since November 2014. Since September 2018, she is a member of the board of directors of Medavie and a member of its Audit and Risk Committee and Human Resources Committee. Since July 2020, she also a member of the board of directors of Financeit, a private company majority-owned by Goldman Sachs, and since August 2020 sits on the board of directors of Nomad Royalty Company Ltd, a gold and silver royalty company.

- Mr. Ian Rae is the founder and CEO of CloudOps Inc., a corporation providing cloud computing services, solutions and products since 2005. Mr. Rae is also the founder of cloud.ca, a Canadian cloud infrastructure platform. Prior to CloudOps, Mr. Rae was chief engineer at Coradiant, and, prior thereto, he was CIO at Candarel Management. Mr. Rae has been a member of the board of directors of Genome Canada since 2016. He is also involved in the startup community as an advisor and angel investor;
- Mr. Jacques Simoneau was President and CEO and a director of Gestion Univalor, LP from 2012 to 2019. He currently serves on the boards of directors of Exploration Azimut Inc. since 2012, Génome Canada since 2016 and Edilex Inc. since 2017. He was also a member of the boards of directors of Génome Québec from 2013 to 2016 and QuébecInnove in 2017-2018. On July 9, 2021, Mr. Simoneau took over as Interim Vice-President of Finance and Administration and CFO and served until November 15, 2021, which is when Mr. Bui was named Vice-President of Finance and Administration and Chief Financial Officer of the Corporation. Mr. Simoneau resigned from the Audit Committee when he became Interim Vice-President, Finance and Administration and Chief Financial Officer.
- 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. From 1988 to 1999 she worked for DMR where she was, and Vice-President, Managing Director of DMR and Director of Major Projects (Québec City, Fredericton and Calgary). From 1978 to 1988 she worked at IBM where she was a Systems Engineer and Director of Sales and Projects (Montreal and Quebec City). Since March 2021, Ms. St-Pierre has been Chair of the board of directors the Société de la Place des Arts de Montréal, and until May 2020 she was Chair of the board of directors of Domaine Forget in Charlevoix and was a director from 2012 to 2020. Since 2018 she has been a director on the board of directors of Arterra Wines Canada, owned by the Ontario Teachers' Pension Plan. She is also a member of the Human Resources and Compensation Committee of this company; and
- Mr. Philippe Sureau was Advisor to the President of Transat from November 2009 to October 2014. Since 2018, he is the chair of the board of Tourisme Montréal.

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 Meeting of the Shareholders that will be held on April 27, 2022 (or in our most recent Management Proxy Circular, where applicable) available on SEDAR (www.sedar.com).

Transat's Board of Directors has created committees, to which it has delegated specific mandates and necessary powers to assist it in effectively fulfilling its duties.

These committees and their respective members as at November 2, 2021 are set out in the following

table:

	Executive committee	Audit committee	Human resources and compensation committee	Risk Management and Corporate Responsibility Committee	Governance and Nominating Committee
Chair	Annick Guérard	Jean-Yves Leblanc	Susan Kudzman	Jacques Simoneau	Raymond Bachand
Members	Raymond Bachand Susan Kudzman Jean-Yves Leblanc Jacques Simoneau	Raymond Bachand Louis-Marie Beaulieu Lucie Chabot	Louis-Marie Beaulieu W. Brian Edwards Jean-Yves Leblanc Louise St-Pierre	Lucie Chabot W. Brian Edwards Susan Kudzman Ian Rae Philippe Sureau	Lucie Chabot Susan Kudzman Ian Rae Louise St-Pierre

On May 27, 2021, following the departure of Mr. Jean-Marc Eustache, Mr. Raymond Bachand became Chair of the Board in addition to being Lead Director of Transat since December 2018.

On June 28, 2021, Mr. Jacques Simoneau resigned from the Audit Committee to become Interim Vice-President of Finance and Administration and Chief Financial Officer.

As of November 2, 2021, the former Risk Management and Corporate Governance Committee was split into two committees and was renamed the Risk Management and Corporate Responsibility Committee. And a new committee was created, named the Governance and Nominating Committee, whose members are Raymond Bachand (Chair), Lucie Chabot, Susan Kudzman, Ian Rae and Louise St-Pierre.

Mr. Jean-Yves Leblanc advised the Corporation that he will retire from the Board of Directors as of December 31, 2021, having reached the age of 75. As a result of his departure, at the Board of Directors' meeting held on December 8, 2021, the Board appointed Ms. Lucie Chabot as Chair of the Audit Committee, effective January 1, 2022.

Mr. Louis-Marie Beaulieu also advised the Corporation that he would cease being a member of the Board effective December 31, 2021, in order to devote more time to his company, Groupe Desgagnés.

In order to fill the two vacancies mentioned above, the Board of Directors, at its meeting of December 8, 2021, appointed Mr. Daniel Desjardins and Ms. Julie Tremblay to the Board of Directors, effective January 1, 2022. During the meeting, Mr. Daniel Desjardins was also appointed to the Audit Committee and Ms. Julie Tremblay was appointed to the Human Resources and Compensation Committee and Ms. Julie Tremblay was also appointed to the Human Resources and Compensation Committee.

For more information, we refer you to Section 15 of this AIF.

9.2 Our Executive Officers

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, 2021, the executive officers and directors of the Corporation as a group hold a total of 732,929 Voting Shares, which represent 1.94% of the total number of issued and outstanding Voting Shares and Variable Voting Shares 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⁾
Annick Guérard <i>Québec, Canada</i>	2002	President and Chief Executive Officer of Transat A.T. Inc.	71,952
Joseph Adamo <i>Québec, Canada</i>	2011	President of Transat Distribution Canada Inc. and Chief Sales and Marketing Officer of Transat Tours Canada Inc.	47,533
Bernard Bussi�res <i>Québec, Canada</i>	2001	Vice-President, General Counsel and Corporate Secretary of Transat A.T. Inc.	83,079
Christophe Hennebelle <i>Québec, Canada</i>	2009	Vice-President, Human Resources and Public Affairs of Transat A.T. Inc.	35,880
Bruno Leclaire <i>Québec, Canada</i>	2014	Chief Information and Digital Officer of Transat Tours Canada Inc.	25,511
Jean-Fran�ois Lemay <i>Québec, Canada</i>	2011	President and General Manager of Air Transat A.T. Inc.	65,698
Mich�le Barre <i>Québec, Canada</i>	2017	Vice-President, Network, Revenue Management and Pricing	3,707
Jacques Simoneau <i>Québec, Canada</i>	2021	Interim Vice-President, Finance and Administration and Chief Financial Officer of Transat A.T. Inc.	18,280

⁽¹⁾ The number of shares indicated is given as at October 31, 2021 and is based on the declarations of our executive officers. It should be noted that the number of shares mentioned does not include, if applicable, 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. In addition, it does not include Voting Shares that are subject to vesting conditions as is more fully described under section and table "Ownership of Securities" in the Circular.

(2) Mr. Jacques Simoneau stepped down as Interim Vice-President, Finance and Administration and Chief Financial Officer of Transat on November 15, 2021, following the arrival of Mr. Patrick Bui.

In addition, Mr. Patrick Bui joined the Corporation as Vice-President, Finances and Administration, and Chief Executive Officer on November 15, 2021.

With the exception of Messrs. Bernard Bussi res and Bruno Leclaire, 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 Vice-President and Chief Distribution Officer of Transat Tours Canada Inc. from October 2014 to April 2021 and prior to that Vice-President, Marketing and E-Commerce from November 2011 to October 2014. He has also been President of Transat Distribution Canada Inc. since July 2019. Prior to that, he was President and General Manager of Transat Distribution Canada Inc. from June 2016 to July 2019 and General Manager from June 2013 to June 2016.;
- Ms. 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. Ms. Annick Gu rard was Chief Operating Officer from November 2017 until May 2021 during which time she oversaw all operations and commercial activities of the Corporation. As of May 25, 2021, she is President and Chief Executive Officer;
- Mr. Christophe Hennebelle held the position of Director, Human Resources of Look Voyages, from March to October 2009, the position of Director, Human Resources of Transat France, from November 2009 to July 2014, and the position of Vice-President, Human Resources and Talent Management of Transat, from August 2014 to June 2016. Since June 23, 2016, he is the Vice-President, Human Resources and Public Affairs of Transat;
- Mr. Jean-Fran ois 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 with a practice in administrative and employment law. Since October 20, 2016, he is the President-General Manager of Air Transat. On November 9, 2018, Transat announced that Jean-Fran ois Lemay, President and General Manager of its subsidiary Air Transat, would be stepping down from the airline company's leadership in a few months, after more than seven years of loyal service to the Corporation. At the request of the Corporation, however, Mr. Lemay subsequently agreed to continue to carry out his duties due to the arrangement that was in place with Air Canada. As the Second Arrangement Agreement with Air Canada was terminated on April 2, 2021, it is now anticipated that Mr. Lemay will cease to perform his current role when the company finds a successor;
- Ms. Mich le Barre joined the ranks of Transat in 2017 as Vice-President, Network, Revenue Management and Pricing. Her main objective was to ensure revenue growth and network development; and
- Mr. Jacques Simoneau joined the ranks of Transat in July 2021 as Interim Vice-President, Finance and Administration and Chief Financial Officer of Transat A.T. Inc. until November 15, 2021.

As at October 31, 2021, the aforementioned directors and officers collectively owned or controlled, directly or indirectly, 729,222 Voting Shares, representing approximately 2.02% of the outstanding

Voting Shares, and 3,707 Variable Voting Shares, representing approximately 0.2188% of the outstanding Variable Voting Shares.

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 and 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 specifically involving directors and officers, not the Corporation. In addition, the Corporation holds professional liability and general civil liability insurance for lawsuits related to any non-bodily or bodily injuries sustained. In all these lawsuits, the Corporation has and will continue to vigorously defend its position.

As a result of the COVID-19 pandemic, the Corporation has been the subject of a number of petitions for class actions in connection with the reimbursement of customer deposits for airline tickets and packages that had to be cancelled. However, under the unsecured credit facility related to travel credits, travel credits issued as a result of flight cancellations arising from the COVID-19 pandemic are now eligible for refund. Consequently, petitions for class actions that have not yet been settled may become moot. In any event, the Corporation has defended its position in the past and will continue to do so with vigour. If the Corporation had to pay an amount related to class actions, the unfavourable effect of the settlement would be recognized in the consolidated statement of income and could have an unfavourable effect on cash. Nevertheless, during the fiscal year ended October 31, 2021, the Corporation had almost completed the process of reimbursing travel credits to customers who submitted a request, which could mitigate the impact of any unfavourable decision on cash flow and results.

10.1 Other

From time to time, the Corporation is subject to audits by tax authorities that give rise to questions regarding the tax treatment of certain transactions. Certain of these matters could entail significant costs that will remain uncertain until one or more events occur or fail to occur. Although the outcome of such matters is not predictable with assurance, the tax claims and risks for which there is a probable unfavourable outcome are recognized by the Corporation using the best possible estimates of the amount of the loss. The tax deductibility of losses reported by the Corporation in previous fiscal years with regard to investments in ABCP was challenged by tax authorities. No provisions are made in connection with this issue, which could result in expenses of approximately \$16.2 million, as the Corporation intends to vigorously defend itself with respect thereto and firmly believes it has sufficient facts and arguments to obtain a favourable final outcome. However, the Corporation already paid \$15.1 million to the tax authorities in respect of this matter during the fiscal year ended October 31, 2015 and objected to the notices of assessment received. This amount is recognized as income taxes receivable as at October 31, 2021 and 2020.

11. TRANSFER AGENT AND REGISTRAR

As at the date of this AIF, the transfer agent and registrar for Transat's shares is TSX Trust Company (Canada), 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 independent auditor who prepared the independent auditor's report to shareholders with respect to the Corporation's consolidated financial statements for the years ended October 31, 2021, and October 31, 2020 included in the Corporation's 2021 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

On April 2, 2021, Transat and Air Canada terminated the Second Arrangement Agreement by mutual agreement after being informed by the European Commission that it would not approve the transaction. Under the termination agreement executed on April 2, 2021, Air Canada paid Transat reverse termination fees of \$12.5 million and waived its right to termination fees in the event of an acquisition of Transat within 12 months following the termination of the revised arrangement agreement by one of the Parties. Other than the immediate termination of the revised arrangement agreement, the termination agreement of April 2, 2021, also contains a mutual waiver under which

Transat and Air Transat agreed to release each other from claims arising from the Revised Arrangement Agreement or related thereto..

On April 29, 2021, the Corporation entered into an important agreement with the Government of Canada, which allows it to borrow up to \$312 million, which drawdowns may be made until October 29, 2022, under a non-renewable and unsecured credit facility that expires on April 29, 2026. This agreement was entered into through the LEEFF and is part of the maximum additional liquidity of up to \$700 million obtained by the Corporation from the Canada Enterprise Emergency Funding Corporation.

For further details of this agreement, please refer to section 2.5 of this AIF and the Corporation's MD&A as at October 31, 2021.

14. FORWARD-LOOKING INFORMATION

This AIF contains certain forward-looking statements with respect to the Corporation, including those regarding its results, its financial position, the impacts of the coronavirus ["COVID-19"] pandemic, its outlook for the future and planned measures, including in particular the gradual resumption of certain flights and actions to improve its cash flows. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "would," the negative of these terms and similar terminology, including references to assumptions. All such statements are made pursuant to applicable Canadian securities legislation. Such statements may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements.

We draw your attention to the MD&A's section 7, Financial position, liquidity and capital resources and note 2 to the consolidated financial statements which describe an environment, events and conditions, specifically in the context of a pandemic, which indicate the existence of material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern.

The global air transportation and tourism industry has faced a collapse in traffic and demand. Travel restrictions, uncertainty about when borders will reopen fully, both in Canada and at certain destinations the Corporation flies to, the imposition of quarantine measures and vaccination and testing requirements both in Canada and other countries, as well as concerns related to the pandemic and its economic impacts are creating some demand uncertainty, at least for fiscal 2022. For the first half of winter 2021, the Corporation rolled out a reduced winter program. On January 29, 2021, following the Canadian government's request to not travel to Mexico and the Caribbean, and the introduction of new quarantine measures and COVID-19 testing requirements, the Corporation announced the complete suspension of all its regular flights and the repatriation of its clients to Canada. Starting July 30, 2021, the Corporation partially resumed its operations and gradually rolled out a reduced summer program. The Corporation cannot predict all the impacts of COVID-19 on its operations and results, the pace at which the situation will improve or precisely when conditions will become normal again. The Corporation has implemented a series of operational, commercial and financial measures, including new financing and cost reduction measures, aimed at preserving its cash. The Corporation is monitoring the situation daily to adjust these measures as it evolves. However, until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results. While progress on vaccination and the lifting of certain restrictions have made it possible to resume operations at a certain level during 2021, the Corporation does not expect such level to reach the pre-pandemic level before 2023.

The forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, economic conditions, changes in demand due to the seasonal nature of the business, extreme weather conditions, climatic or geological disasters, war, political instability, real or perceived terrorism, outbreaks of epidemics or disease, consumer preferences and consumer habits, consumers' perceptions of the safety of destination services and aviation safety, demographic trends, disruptions to the air traffic control system, the cost of protective, safety and environmental measures, competition, the Corporation's ability to maintain and grow its reputation and brand, the availability of funding in the future, fluctuations in fuel prices and exchange rates and interest rates, the Corporation's dependence on key suppliers, the availability and fluctuation of costs related to our aircraft, information technology and telecommunications, changes in legislation, unfavourable regulatory developments or procedures, pending litigation and third party lawsuits, the ability to reduce operating costs, the Corporation's ability to attract and retain skilled resources, labour relations, collective bargaining and labour disputes, pension issues, maintaining insurance coverage at favourable levels and conditions and at an acceptable cost, and other risks detailed in the Risks and Uncertainties section of this AIF.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A are based on a number of assumptions relating to economic and market conditions as well as the Corporation's operations, financial position and transactions. Examples of such forward-looking statements include, but are not limited to, statements concerning:

- The outlook whereby until the Corporation is able to resume operations at a sufficient level, the COVID-19 pandemic will have significant negative impacts on its revenues, cash flows from operations and operating results.
- The outlook whereby, subject to going concern uncertainty as discussed in the Basis of preparation and going concern uncertainty section of the MD&A and note 2 to the interim condensed consolidated financial statements, the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and its borrowing capacity.
- The outlook whereby, subject to going concern uncertainty as discussed in Section 7. Financial position, liquidity and capital resources of the MD&A and note 2 to the consolidated financial statements, we believe that the Corporation will be able to meet its obligations with cash on hand, cash flows from operations and drawdowns under existing credit facilities.

In making these statements, the Corporation has assumed, among other things, that travel and border restrictions imposed by government authorities will be relaxed to allow for a resumption of operations of the type and scale expected, that the standards and measures imposed by government and airport authorities to ensure the health and safety of personnel and travellers will be consistent with those announced or currently anticipated, that travellers will continue to travel despite the new health measures and other constraints imposed as a result of the pandemic, that credit facilities and other terms of credit extended by its business partners will continue to be made available as in the past, that management will continue to manage changes in cash flows to fund working capital requirements for the full fiscal year. If these assumptions prove incorrect, actual results and developments may differ materially from those contemplated by the forward-looking statements contained in this AIF.

The Corporation considers that the assumptions on which these forward-looking statements are based are reasonable.

These statements reflect current expectations regarding future events and operating performance, speak only as of the date this AIF is issued, and represent the Corporation's expectations as of that date. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

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 SEDAR (www.sedar.com).

15. BOARD CHAIR APPOINTMENT AND AUDIT COMMITTEE DISCLOSURE

15.1 Board Chair Appointment

Transat's Board of Directors appointed Mr. Raymond Bachand as Chair of the Board on May 27, 2021 (previously Lead Director), following the departure of Mr. Jean-Marc Eustache.

The Chair's duties include setting the agenda of the Board meetings jointly with the President and Chief Executive Officer. The Chair calls and presides over Board meetings as well as presides over Board sessions that are held without management being present to give directors an opportunity to fully and freely discuss certain issues and provide feedback and direction to management.

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 A to this AIF.

15.3 Composition of Our Audit Committee

Our Audit Committee is currently composed of unrelated, independent and financially literate directors. Following the resignation of Mr. Jacques Simoneau from the Audit Committee to become Interim Vice-President, Finance and Administration, and Chief Financial Officer, the members of the Audit Committee are Messrs. Jean-Yves Leblanc (Chairman), Raymond Bachand, Louis-Marie Beaulieu, and Jacques Simoneau, and Ms. Lucie Chabot.

15.4 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 Premier Tech Ltd. and Emballage St-Jean Ltée. He is Chairman of the Audit Committee of Premier Tech Ltd. and the Audit Committee of Emballage St-Jean Ltée. 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 since February 2014, and has been the executive Chair of its Board since September 2020. He was 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 from October 2014 to April 2021. He was the President of the Conférence économique de l'industrie touristique québécoise from September 2020 to December 2021 and was also Chairman of the Board of Tourisme Montréal from June 2014 to June 2018.

Louis-Marie Beaulieu. Mr. Louis-Marie Beaulieu is Chairman of the Board and CEO as well as majority shareholder of Groupe Desgagnés Inc., a private company specialized in marine transportation of general cargo and passengers. A graduate in Business Administration, with an option in accounting, of the Université du Québec à Rimouski (UQAR) and a Fellow of the Ordre des comptables professionnels agréés du Québec since 2001, Mr. Beaulieu also holds a diploma from McMaster University's corporate governance program, granting him the designation of Chartered Director. Before acquiring Desgagnés in 1987, he held the position of Director of Finance and Administration in the company from 1981 to 1987, after having worked as an auditor at Mallette, Benoit, Boulanger, Rondeau in Québec City.

Over the course of his career, Mr. Beaulieu has served on many boards of directors and audit committees, including those of the St-Lawrence Economic Development Council (SODES), the Société de l'assurance automobile du Québec (SAAQ) from 1989 to 1996, the Canadian Shipowners Association from 1990 to 2016, the Société Immobilière du Québec from 1997 to 2003, the Canadian Commercial Corporation (CCC) from 2001 to 2004 and the Conseil du patronat du Québec from May 2011 to April 2017, where he also acted as chairman of the board from April 2014 to April 2017. He also served as Chairman of a number of audit committees, including those of SAAQ, CCC and Standard

Compensation Act Liability Association Ltd. (SCALA). In addition, Mr. Beaulieu was a member of various organizations, such as the Commission des études of UQAR and the National Marine and Industrial Council, president of the National Marine and Industrial Coalition and of the Great Lakes / St-Lawrence Marine and Industrial Coalition, co-president of the Marine Industry Forum with the Québec Minister of Transport and co-president of the Canadian Marine Advisory Council with the Deputy Minister of Transport Canada.

He is currently a member of several boards of directors, including the board of the Chamber of Marine Commerce since 1997, where he also chairs the Finance Committee since March 2017. Also, since his acquisition of Groupe Desgagnés, he serves as Chairman of the board of directors of the company's subsidiaries. He is also a member of various organizations and associations, including the Canadian Marine Advisory Council, the Cercle des présidents, the QG-100 Network and the Business Council of Canada.

He is the recipient of several awards, including the Joseph-Hodé Keyser award from the Association québécoise des transports et des routes in 2001 and the Alumni Award from the Université du Québec à Rimouski (UQAR) in 2011, and he was inducted into the Cercle des Grands Bâisseurs Maritimes by the Groupe Maritime Québec in 2010 and into the Académie des Grands Québécois in 2014.

Lucie Chabot. Ms. Lucie Chabot is a corporate director. Since April 2020, she has also been a member of the board of directors and the audit committee of Richelieu Hardware Ltd., a world-class importer, manufacturer and distributor of specialty hardware and complementary products. Moreover, since May 2019, she is a member of the board of directors and Chair of the audit committee of Albecour Inc., a aluminum company and an Investissement Québec subsidiary. And since May 2019, she has been a member of the board of directors and Chair of the audit committee and governance committee of Tourisme Montréal, an organization responsible for promoting tourism in the city of Montreal. From 2017 to 2021, Ms. Chabot has served as Chair of the Board of Directors, the Audit Committee, the Information Technology Committee, and was also a member of the Human Resources Committee of CDMV Inc., a Canada-wide distributor of products and services for veterinarians. Ms. Chabot was Vice-President and Chief Financial Officer of SAIL Outdoors Inc., a major Canadian retailer of sporting goods and outdoor equipment, from 2014 to 2018, and as such was 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, Operations and Managed Services, after having served as the company's Vice-President, Finance and Human Resources. For more than a decade, 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 accounts, such as Motovan, The Hockey Company, Chapters and Rona, which gave her a better understanding of the objectives of financial institutions, their risk analysis, the returns sought and how to structure major transactions. From 1986 to 1994, she worked as Director and Vice-President, Finance, of Sports Experts Inc., the Canadian leader in sporting goods and sportswear retailing. She began her career at Clarkson Gordon (EY) as an auditor in 1981 and joined the Provigo Group in 1984. Ms. Chabot is a graduate of Université Laval and a member of the Ordre des comptables agréés du Québec. She was named to the National Honour Roll of the Canadian Institute of Chartered Accountants, ranking 11th in Canada in 1982.

This experience allowed Ms. Chabot to acquire the necessary skills to assess Transat's accounting practices and internal controls in the preparation of its financial statements.

As mentioned in Section 9.1, Messrs. Leblanc and Beaulieu have informed the Corporation that they will cease to act as directors as of December 31, 2021. At the December 8, 2021 meeting, the Board appointed Mr. Daniel Desjardins and Ms. Julie Tremblay to fill the above vacancies on the Board,

effective January 1, 2022. In addition, Mr. Daniel Desjardins was also appointed as a member of the Audit Committee, effective January 1, 2022. The Corporation includes his biography.

Daniel Desjardins, Ad.E. Mr. Desjardins is an independent director. He is a member of the Board of Directors of the Noranda Income Fund and a member of its Audit Committee and Independent Committee of the Board. He is also Chair of the Governance and Human Resources Committee of the Noranda Income Fund. Mr. Desjardins is an accomplished business lawyer and executive with extensive experience in business law, compliance and risk management, as well as decades of experience in financing and complex mergers and acquisitions. For more than 20 years, until December 2019, Mr. Desjardins was Senior Vice-President, General Counsel and Corporate Secretary at Bombardier Inc. In this role, he was responsible for legal affairs, compliance, internal audit, insurance and risk management for the entire company. From 2018 to January 2021, he served as Chair of the Board of Directors of Bombardier Transportation. Prior to his arrival at Bombardier, Mr. Desjardins spent 15 years as a partner in a Quebec law firm. He began his professional career at the National Bank of Canada. Mr. Desjardins has been Chair of the Board of the Legal Leaders for Diversity Trust since 2014 and is Chair of the Board of Directors of the Pointe-à-Callière museum. Mr. Desjardins has received numerous professional recognitions and has twice been named one of Canada's 25 most influential lawyers. In 2017, the Barreau du Québec awarded him the *Advocatus Emeritus* distinction in recognition of his exceptional professional career. Mr. Desjardins holds a law degree from the Université de Montréal and a Master of Laws degree from McGill University.

15.5 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 Vice-President, 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 have introduced, in recent years, a whistleblower process by providing an email address, "Ethic@transat.com", through which only three persons receive notification of this reporting: the Vice-President, Human Resources, the Vice-President, General Counsel and Corporate Secretary and the Vice-President, Internal Audit and Risk Management. All reports are reviewed and handled by the responsible person or persons. The Code of Ethics must be reviewed annually by all employees, who are required to sign a certificate to that effect.

15.6 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 Responsibility 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.

15.7 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, 2021 and October 31, 2020, Ernst & Young LLP billed the following fees for audit, audit-related, tax and all other services provided to the Corporation:

	2021	2020
Audit Fees ⁽¹⁾	\$ 1,135,000	\$ 616,000
Audit-Related Fees ⁽²⁾	\$ 496,000	\$ 711,000
Tax Fees ⁽³⁾	\$ 145,000	\$ 227,000
All Other Fees ⁽⁴⁾	—	—
TOTAL	\$ 1,776,000	\$ 1,554,000

(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, 2020 and October 31, 2021.

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, 2021, both of which are contained in the 2021 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 Special and Annual Meeting of the Shareholders that was held on April 27, 2022.

Copies of these documents and additional information relating to Transat may be found on SEDAR (www.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 A

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 fewer 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 Responsibility 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

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 presence of the President and Chief Executive Officer and the Vice-President, Finance and Administration and Chief Financial Officer or of any other officer.

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 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;

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.

- IV. Resolve disagreements between management and the external auditors regarding financial information;
- 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 Responsibility 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.

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

Annual Work Program

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

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.



