



2022 Annual Information Form



Transat A.T. Inc.

Annual Information Form

For the year ended October 31, 2022

December 14, 2022

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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, 2022, 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, Turissimo, Voyages en Liberté, Transat Travel/Voyages Transat, TravelPlus, Luxexpert, connectair by Air Transat and Travel Moves Us/Le voyage nous transporte. Any other trademarks, designs or corporate, trade or domain names used in this AIF are the property of their owners.

1. 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.

As a result of the COVID-19 pandemic, the global air transportation and tourism industry has faced a collapse in traffic and demand. Despite the easing of health measures and travel restrictions initially put in place, travel restrictions and vaccination requirements introduced by numerous countries as well as concerns related to the pandemic and its economic impacts, combined with the uncertainty of a possible economic downturn, ongoing inflation in many countries, including Canada, and the military conflict between Russia and Ukraine are creating significant demand uncertainty, and the effects will still be partially present in fiscal 2023. For the 2022 winter season, the Corporation rolled out a reduced winter program that had to be adjusted following the emergence of the Omicron variant and new restrictive measures implemented by Canada and other countries. For the 2022 summer season, the Corporation also deployed a further reduced program although much more similar to pre-pandemic levels. While the situation considerably improved since the second quarter of 2022, the Corporation cannot yet predict with certainty 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. Since the beginning of the pandemic, the Corporation 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. Although the lifting of most restrictions has allowed a significant resumption of operations during 2022, the Corporation does not expect to reach the pre-pandemic level before 2024.

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 the MD&A.

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 AIF 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 Section Basis of Preparation and Going Concern of the MD&A and Note 2 to the Consolidated Financial Statements.
- The outlook whereby, for 2023 as a whole, the Corporation expects to deploy capacity equivalent to 90% of the 2019 level.
- The outlook whereby, the combination of demand and higher prices will allow us to deal with higher costs.
- The outlook whereby, for 2023 as a whole, the Corporation expects an adjusted operating income margin of approximately 4% to 6%.

In making these statements, the Corporation assumes, among other things, that no travel or border restrictions will be imposed by government authorities, that the standards and measures for the health and safety of personnel and travellers imposed by government and airport authorities will be consistent with those currently in effect, that travellers will continue to travel despite the health measures and other constraints imposed as a result of the pandemic, that workers will continue to be available to the Corporation, its suppliers and the companies providing passenger services at the airports, 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).

2. CORPORATE STRUCTURE

2.1 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 its voting shares in order to retain its 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 within the meaning of 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 the issued and outstanding common shares so converted; cancel the unissued common shares of Transat and substitute therefore, with the required adaptations, the Variable Voting Shares and the Voting Shares for the purpose of exercising any subscription, purchase or conversion rights attaching to the

common shares so cancelled; and replace prior restrictions on the issuance and transfer of Transat's voting shares by the restrictions stated in (v) above; and

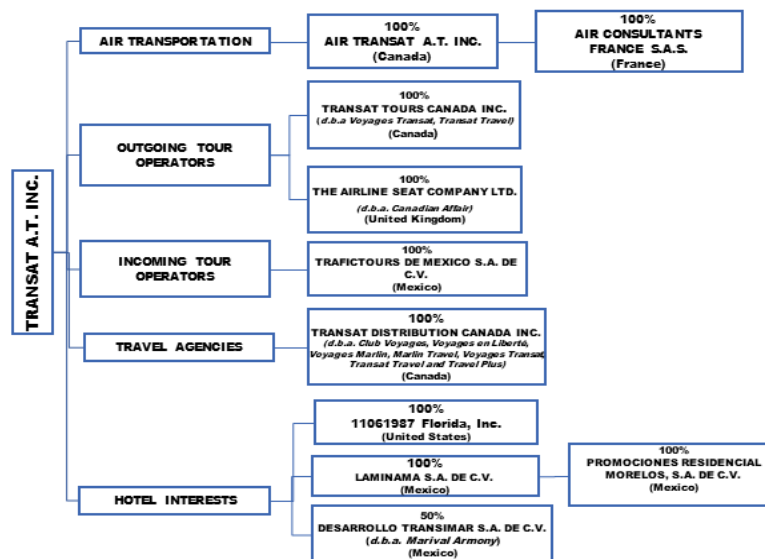
- (vii) amend its Articles by filing articles of arrangement in order to adjust the current restrictions on the issuance and transfer of shares of public airline companies for Transat to retain the status of "Canadian" corporation, following royal assent received, on May 23, 2018, of the *Transportation 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, and 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 collectively 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, Quebec, Canada H2X 4C2.

2.2 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.



3. DESCRIPTION OF OUR BUSINESS

Founded in Montréal 35 years ago, Transat is a holiday travel leader, particularly as an air carrier under the Air Transat brand. Voted World's Best Leisure Airline in North America by passengers at the 2022 Skytrax World Airline Awards, it flies to international, U.S. and Canadian destinations. By renewing its fleet with the most energy-efficient aircraft in their category, it is committed to a healthier environment, knowing that this is essential to its operations and the destinations it serves. Transat has been Travelife-certified since 2018.

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.

We recorded \$1,642.0 million in revenues for fiscal 2022, compared to \$124.8 million for fiscal 2021.

For a more detailed description of the Corporation's business, vision, strategy, review of its objectives and achievements for 2022, its ability to meet its objectives and finally, its financing operations in the past year, we refer you to our Management's Discussion and Analysis for the year ended October 31, 2022, which can be found on SEDAR (www.sedar.com).

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.

3.1 Air Transportation

3.1.1 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 and transborder 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 Airbus aircraft including long-haul aircraft (A330s and A321LRs) and medium-range aircraft (A321neos).

As at October 31, 2022, Air Transat's fleet is composed of thirty-two (32) aircraft, including twenty-four (24) long-haul aircraft, of which twelve (12) are A330s and twelve (12) are A321LRs, and eight (8) medium-haul aircraft, of which seven (7) are A321neos and one (1) is a B737 (that has not been operated for commercial flights and will be returned in December):

LONG-HAUL				
Type of Aircraft	Winter 2021	Summer 2021	Winter 2022	Summer 2022
A330	16	16	12	12
A321LR	6	10	10	12
Total long-haul fleet:	22	26	22	24

MEDIUM-HAUL				
Type of Aircraft	Winter 2021	Summer 2021	Winter 2022	Summer 2022
A321ceo	7	7	7	7
B737-800	1	1	1	1
Total medium-haul fleet:	8	8	8	8

In 2017 and 2018, Transat entered into an agreement with AerCap to lease, for a term of twelve (12) years, seventeen (17) new Airbus A321LRs, of which twelve have been delivered to date. The Airbus A321LR is the latest long-range (LR) version of Airbus A321neo (*New Engine Option*) in the single-aisle aircraft segment. In addition to the A330s available to be deployed for our high-demand sun destinations, the A321LRs, combined with the A321ceos, are available to fly to sun destinations such as Mexico, the Caribbean and Florida. The A321LRs, 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 size of the A321LR 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 A321LR make it an aircraft of choice for Transat, particularly in a context where the volume of operations has returned to pre-pandemic levels. Air Transat will continue to deploy its long-haul aircraft mainly on the transatlantic program and high-demand sun destinations markets. The Corporation now has twelve (12) A321LRs in its fleet and expects to receive, in principle, the last five (5) of the initial order from AerCap by early 2024.

Since the onset of the COVID-19 pandemic, Transat has worked 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 was ongoing and reduced demand for travel post-COVID-19.

As at October 31, 2021, Air Transat had returned two B737-800s (in addition to the two it had returned at the end of fiscal 2020) and four A330s (including three A330-300s and one A330-200, all as part of negotiations for the early return of these aircraft to their respective lessors or when the leases naturally expired.

As at October 31, 2022, Air Transat had also returned four A330-200s, including three in advance and one as part of a restructuring of its lease so that the A330 fleet has reduced to twelve A330s, including eleven A330-200s and one A330-300. In addition, the early return of the B737-800s is in keeping with Air Transat's transition to an all-Airbus fleet and the last B737-800, which has not been operated commercially since the start of the pandemic, will be returned in December 2022. Lastly, during fiscal years 2020 to 2021, Transat has also entered into several agreements to restructure certain aircraft leases. These restructurings involve rent reductions during certain periods in exchange for an extension of the leases and, in some cases, rent deferrals. Transat also entered into various power-by-the-hour agreements for four A330-200 aircraft in its fleet, agreements that allowed it to increase its flexibility while COVID-19 continued to negatively impact the aviation industry. These aircraft were added to the four aircraft that were already benefiting from similar conditions prior to the pandemic.

With the introduction of the A321LRs and the Corporation's decision to gradually abandon the B737 aircraft in favour of A321-type aircraft and to reduce its A330 fleet, Air Transat is geared towards two types of aircraft:

the A330 and the A321. In September 2022, Air Transat also entered into an agreement with Air Lease Corporation for the long-term lease of four (4) new Airbus A321XLRs. The delivery of three (3) A321XLRs to Air Transat is confirmed starting at the end of 2025 through 2026. The agreement also includes an option for one additional A321XLR aircraft to be delivered in 2027. Along with the A321LR aircraft, the A321XLRs figure as a cornerstone of Transat's 2022-2026 strategic plan since they make it possible to serve European destinations in summer while being used in winter for destinations in Europe, the South and in the United States. These aircraft also allow optimized aircraft rotations combining short flights between two rotations to Europe (up to 17 hours of flight per day) thanks to a size more suited to shorter markets and optimized turnaround time.

In the winter of 2023, Air Transat is expected to add two used aircraft to its fleet, i.e., an A330-300 and an A321-200. In addition, to offset certain anticipated delays in the delivery of the A321LRs and to cover its commercial needs during the winter and summer 2023 seasons, Transat will resort to short-term aircraft leases. Therefore, subject to applicable regulatory approvals, Air Transat will lease from Smartlynx one A321ceo and two B737-8MAX aircraft in the winter of 2023 and two A330s in the summer of 2023, all with crews.

Transat is continuing to implement its 2022-2026 strategic plan, with the conclusion in November 2022 of an agreement for two (2) additional A321LRs with SMBC Aviation Capital Limited. These aircraft are expected in the first quarter of 2024.

In July 2022, Transport Canada approved the use of the Mixed Fleet Flying program (the "MFF") for the A321 and A330 aircraft. Like the reduction in the aircraft types in our fleet, this is a major step in the process of restructuring our operations, as set out in our 2022-2026 strategic plan. This Mixed Fleet Flying program allows the use of a base airplane and its variants by members of the flight crew, for training or checking events. In other words, it authorizes certified pilots to operate the A321s and A330s without distinction, and to combine the training and checking events required for these aircraft due to the similarities in the cockpit as well as Airbus' common aircraft operating philosophy and system architecture. Even if there are still several steps to go through before the deployment of the MFF for the operation of our fleet, this program will ultimately allow Air Transat to reduce its costs, in particular maintenance and training costs, and will allow a certain flexibility in managing crew rotations, which will considerably simplify our operations.

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. 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.

Despite the COVID-19-related challenges that we faced, we are continuing our efforts to optimize capacity through more efficient flight scheduling and increased ancillary revenues.

We served approximately 3,216,599 passengers in fiscal 2022, compared with 235,000 passengers in fiscal 2021 and 2,280,000 passengers in fiscal 2020. The drastic drop in the number of passengers in fiscal 2021 is attributable to reduced air travel for the same reasons as in 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), as well as due to the second suspension of flights between January 29, 2021 and July 29, 2021, inclusively (which resulted primarily from the Omicron variant, which greatly affected the winter of 2021).

During the winter of 2021, Air Transat only offered flights departing from Montreal, Toronto and Vancouver (domestic flights only in the case of Vancouver) and served seven 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 the winter of 2020 and before the onset of the pandemic. During the summer of 2021 and since resuming operations, Air Transat has operated domestic flights and served five European destinations (Paris, Lisbon, London (Gatwick), Porto and Manchester) in three countries (France, the United Kingdom and Portugal) compared with 25 European destinations in 12 countries in the summer of 2019 prior to the pandemic.

During the 2022 winter season, which was slowed down by the Omicron variant, Air Transat operated flights to nearly 35 destinations throughout the Caribbean, Mexico, Central and South America, the United States (including two new non-stop routes from Montreal to Miami and Fort Myers) and Europe. Direct flights were offered, departing from four Canadian cities: Montreal, Quebec City, Toronto and Halifax to sun destinations and the United States. As for Europe, direct flights were offered to France, Portugal, the United Kingdom and Spain. To increase the number of international connections, Air Transat also operated domestic flights between Montreal, Quebec City, Toronto and Vancouver.

During the summer of 2022, Air Transat re-established the majority of its air routes. From Montreal, Air Transat offered flights to 19 European destinations with direct service, including Amsterdam for the first time. It operated non-stop flights to Athens, Basel-Mulhouse, Barcelona, Brussels, Lisbon, London, Madrid, Malaga, Paris, Porto, Rome and Venice as well as to French provinces, including Bordeaux, Lyon, Marseille, Nantes, Nice and Toulouse and its daily service to Paris reached up to 14 flights per week during the summer. From Quebec City, Air Transat was the only airline to offer non-stop service to two European capitals, to Paris and, for the first time and exclusively, to London. From Toronto, Air Transat served 15 European cities this summer. Service to Amsterdam, Athens, Barcelona, Dublin, Lamezia, Paris, Rome, Venice and Zagreb have been re-established, in addition to the flights already offered to Faro, Glasgow, Lisbon, London, Manchester and Porto. In addition, due to the sustained demand for southern Portugal, Air Transat will now operate flights to Faro throughout the year. Air Transat operated flights to California for the first time in its history, serving San Francisco and Los Angeles from Montreal, in addition to the routes to Florida that have been operated from Montreal, Quebec City and Toronto, which will now be offered year-round. Air Transat also operated domestic flights and a wide selection of the most popular sun destinations in Mexico and the Caribbean departing from Montreal, Quebec City and Toronto. In May 2022, Air Transat established a bilateral codeshare agreement with WestJet for passengers connecting in Toronto and Montreal to Europe on a limited number of Transat and WestJet routes. From Montreal, eight Transat transatlantic routes connect with four WestJet domestic routes, while from Toronto, four Transat transatlantic routes connect with 17 WestJet domestic and transborder routes. For more information on the various bilateral codeshare agreements, please refer to the section entitled "Codeshare and Virtual Interlining Agreements" in our MD&A.

In terms of cabin configuration, among Air Transat's 12 A330-200 aircraft, seven have 332 seats and five have 345 seats. The only A330-300 that remains in Air Transat's fleet has 346 seats. The twelve (12) A321LRs

currently operated by Air Transat each have 199 seats. All A330 and A321LR aircraft in Air Transat's fleet include 12 seats in Club class. Six of Air Transat's seven A321neos have 198 seats and one has 199 seats. In terms of customer experience, all A330s and A321LRs are equipped with a mood-lighting system throughout the cabin and an in-flight entertainment system with a seat-integrated display.

3.1.2 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 airline as well as extensive auditing, data collection, analysis, investigation and implementation of corrective and preventative measures.

On June 3, 2022, Air Transat's President, who combines the positions of President and Chief Executive Officer of Transat, was appointed Air Transat's accountable executive for Transport Canada. Safety Management System activities are delegated to the Senior Director, Safety, Quality and Security who reports on the system's performance to the accountable executive and to the Chief Airline Operations Officer, who joined the Corporation on June 1, 2022.

In December 2021, Air Transat once again renewed its IOSA certification (IATA Operational Safety Audit). Every two years, Air Transat demonstrates its compliance with the IOSA program, which includes approximately 950 strict requirements in the areas of safety and quality management, training, control of flight operations, cabin and flight regulation, maintenance, ground operations, cargo transport and operational safety. Through this certification, Air Transat demonstrates its commitment to the highest standards of quality and safety.

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.

3.1.3 Fuel Supply

Fuel costs represent a major component of an airline's operating expenses. The increase and constant fluctuations in the cost of fuel are a major concern for Transat given our industry's low margins. 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 75% of projected fuel purchases for the next twelve months. This limit is a maximum, but is not mandatory. Moreover, there is no minimum monthly hedging limit. The Corporation's hedging strategy is regularly reviewed and adapted as needed to market conditions. As such, as at October 31, 2022, given the past uncertainties concerning the pandemic, the Corporation progressively hedged its projected requirements for the upcoming twelve months to reach a hedge rate of 24%, compared to 41% as at October 31, 2019 (reference year).

To learn more about sustainable aviation fuel and the SAF+ Consortium, please refer to section 3.9.4 of this Annual Information Form.

3.2 Tour Operators

Transat acts as an outgoing tour operator through its subsidiary Transat Tours Canada Inc. operating under its Transat brand, 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.

3.2.1 Products of Transat Tours Canada Inc.

Transat Tours Canada Inc. (“Transat Tours”) 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 seats in all markets served by Air Transat. Transat Tours 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 travel agency networks.

In the packages category, Transat Tours offers five exclusive collections, namely the Solo, Family, Out of Office, R & R and Luxury collections, each of which features a selection of hotels and advantages suited to various types of consumers. Moreover, Transat also offers Duo packages in Cuba and Colombia, which combine two regions in one trip.

On January 29, 2021, the Corporation announced the complete suspension of all scheduled Air Transat flights thus affecting the operations of Transat Tours, and the repatriation of its customers to Canada, at the request of the Canadian government not to travel to Mexico and the Caribbean following the introduction of new measures regarding quarantine and COVID-19 testing. This suspension remained in effect until operations resumed on July 30, 2021, at which time, after six months of inactivity, Air Transat made its first commercial flights. The Corporation gradually resumed its operations by offering a summer flight program from Quebec City, Montreal 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, Quebec City, Toronto and Vancouver).

Since then, Transat has been able to gradually expand its flight program and operate as early as winter 2021-2022, eight European destinations, 22 sun destinations, five U.S. destinations, as well as a domestic program between Montreal and Toronto. For the summer 2022 season, the flights operated covered 25 European destinations, 14 sun destinations, five U.S. destinations as well as domestic flights (between Montreal, Quebec City, Toronto, Vancouver and Calgary).

3.2.2 Products of The Airline Seat Company Limited

The Airline Seat Company Limited, which sells under the Canadian Affair brand, has been a wholly owned subsidiary of 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 its call center and online at www.canadianaffair.com. Working closely with its suppliers and inbound/ground tour 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 five years, Canadian Affair has been named Best Canadian Tour Operator at the British Travel Awards. It was also recently awarded "Tour Operator of the Year - Small" by a leading trade media outlet, TTG.

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 www.airtransat.co.uk and www.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 75% of all UK air-only flight sales.

Electronic retail sales represented 75% of Transat's sales revenue in the UK (Air Transat 60% and Canadian Affair 15%), while sales made via travel agencies represented the remaining 25%. Air 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 consists of maintaining a healthy balance between B2C e-commerce sales and B2B commerce sales.

3.2.3 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 parent company as well as contributions from partners (Tourism Offices, Airports, etc.). 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.

3.2.4 Products of Trafictours Canada Inc.

Trafictours Canada Inc. and its subsidiaries ("TraficTours") located in Mexico, the Dominican Republic, Barbados and in Jamaica are wholly owned by Transat A.T. Inc.

TraficTours is an incoming tour operator and offers destination services in Mexico and the Caribbean, mainly in beach destinations such as Cancun, Riviera Maya, Puerto Vallarta, Riviera Nayarit, Los Cabos, Punta Cana, Puerto Plata, La Romana, Samana and Montego Bay.

The services offered by TraficTours consist mainly of the transportation of passengers to and from the main international airports to the various hotels. TraficTours also has multilingual representatives in all hotels at the various destinations, providing customer service and selling tours and activities to enhance travellers' overall experience. TraficTours has also obtained many concessions in the hotel lobbies, working closely with them, in order to provide all types of services to travellers.

Before the COVID-19 pandemic, TraficTours used to transport more than one million passengers per year across destinations. The current number of passengers transported is gradually increasing since the recovery of leisure travel and should reach the million mark again in the next few years.

3.2.5 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 with Air Canada dated June 27, 2019, 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, the Corporation established a management subsidiary in the United States, started to assemble the management team, and defined the brand and type of product for the future hotel resort.

However, in May 2021, the Corporation decided to cease the hotel division's activities and as a result abandoned any further development of this division given the changes to its strategic objectives. During fiscal 2022, subject to and in consideration of market conditions, the Corporation retained the services of a broker to examine the advisability of selling and, if appropriate, to sell its land in Puerto Morelos to increase its level of liquidity.

3.2.5.1 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 was also a shareholder of TraficTours prior to the Corporation's acquisition of the interest held by Gesmex on May 31, 2021. Following an expansion completed in 2018, the hotel currently consists of 268 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.

3.3 Travel Agencies and Distribution

In Canada, the Corporation distributes its products in part through its own network of wholly owned, franchised or affiliated retailers. The Corporation is the largest retail distributor of holiday travel products in Canada, with 258 outlets, of which 31 are wholly owned, 125 are franchised and 102 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, the Corporation launched a new travel agency concept under the Transat Travel banner. To date, 28 of its wholly owned agencies carry out their activities under this name.

The Corporation has also developed and implemented an external agent program that extends the scope of its wholly owned agencies under the Voyages Transat/Transat Travel banner. This program was enhanced in 2020 so that external agents who join its network can operate under their own brand name.

The Corporation operates its travel agency network in Canada as one business unit, allowing it to take advantage of a common administration for all its wholly owned agencies across the country, and combine its purchasing power.

3.4 Our Employees

As at October 31, 2022, Transat and its subsidiaries had approximately 4,035 active employees, of which 3,526 were located in Canada and the average number of active employees for fiscal 2022 totaled approximately 3,281.

On March 15, 2020, Transat and its subsidiaries had to temporarily lay off employees due to the Corporation's drastic drop in business as a result of the COVID-19 pandemic. On two occasions - from April 1 to July 22, 2020, and from January 30 to July 29, 2021 - the Corporation completely suspended its airline operations. During this period, Transat availed itself of the Canada Emergency Wage Subsidy program to allow its employees to be placed on leave with reduced pay instead of being temporarily laid off until the federal government ended the program on August 28, 2021. This allowed the Corporation to call back to work a vast majority of the employees

half-way through 2021 and during the following year, a substantial portion of which agreed to be called back. Since September 2022, none of Transat's employees are still laid off.

The number of employees grew steadily thereafter, as activities returned to a level close to 2019. At the same time, Transat gradually reinstated and enhanced its development programs for employees and also reassessed the benefits offered to preserve its attractiveness on the labour market, particularly with regard to vacations and travel benefits offered to new employees.

Following the end of mandatory telework required due to the pandemic for office staff on November 15, 2021, Transat implemented an 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, broadens the recruitment pool and strengthens Transat's position as an employer of choice. At the same time, Transat is working on designing its offices and adapting its way of working to encourage employees to regularly meet in person on a voluntary basis in the offices.

The particular effort made during the pandemic on employee communication has continued, particularly through regular virtual meetings presented by management to all employees and a great attention placed on the possibility for all staff to ask questions of management and to receive answers quickly.

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 morale of all of the Corporation's employees. Since re-launching this platform, engagement metrics have consistently been equal to or better than before the pandemic.

A detailed description of our short- and long-term compensation plans is set out in the Management Proxy Circular relating to the annual meeting of shareholders that will be held on March 9, 2023 (and, if needed, in the Management Proxy Circular dated April 27, 2022), which is available on SEDAR (www.sedar.com).

Approximately 70% of Transat's Canadian employees are 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 2022, the collective agreement with the airline pilots was extended until June 30, 2025, and the collective agreement of maintenance employees was extended until April 30, 2027.

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 may 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 April 30, 2025
Flight attendants	Air Transat	Canadian Union of Public Employees (CUPE)	Collective agreement in effect from November 1, 2021 to October 31, 2022 - renewal to come
Flight dispatchers	Air Transat	Canadian Airline Dispatcher's Association (CALDA)	Collective agreement in effect from November 1, 2015 to October 31, 2022 - renewal under negotiation
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 - renewal under negotiation
Maintenance, stores and technical support	Air Transat	International Association of Machinists and Aerospace Workers (IAMAW), Local chapter 140	Collective agreement in effect from May 1, 2022 to April 30, 2027.

3.5 Competition

Transat faces competition on many fronts, namely from air carriers, tour operators and travel agencies (traditional and online).

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 airlines and network carriers that have adjusted their cost base and created new leisure/low-cost airline subsidiaries, online travel agencies (OTAs) and hotel operators 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 and OTAs. Competition is therefore present at all levels. In order to successfully compete, it is crucial to control costs, act as a service provider in the airline industry and maintain a presence in the different distribution channels.

3.5.1 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. As the FIT program is growing at a rapid pace, the tour operators put greater emphasis on that market segment.

3.5.1.1 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. Once 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.

3.5.1.2 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 increasingly served by an ever-growing number of carriers and price competitiveness has been increasing in the last few years.

Canadian Affair is a well-established tour operator 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 www.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.

3.5.2 Travel Agencies and Distribution

Travel agencies act as intermediaries between tour operators, cruise lines and carriers on the one hand and customers on the other. 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 America 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 travel agency chains represent one-third of all travel agents in Canada. The major chains are Transat Distribution Canada operating under banners such as Transat Travel/Voyages Transat, Club Voyages, Marlin Travel and TravelPlus banners or affiliated programs (which make up our network of travel agencies), CAA, Flight Centre, Maritime Travel, Uniglobe and Vision Travel.

Retail travel agency 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.

3.5.3 Air Carriers

Competition between air carriers is based largely on price, as well as on flight schedules, choice of city pairs (availability of direct flights), flight comfort (seats, inflight services, etc.), adapting the offer to various needs, classes, special offers (families, youths, professionals, etc.) and the loyalty program. Regarding holiday travel, the ability of operators to bundle land portions (car rental, guided tours, accommodations) with the flight can also influence their decisions and buying patterns. As prices depend in part on the laws of supply and demand, 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) legacy carriers, which offer a complete service, both in terms of their diversified network and their range of products, targeting all customer segments.

These companies structure a large part of their network around a limited number of hubs and are characterized by offering quality service to business customers and participating in well-established alliances. Several legacy carriers have developed subsidiaries, both for regional traffic and to cope with the rise of low-cost airlines; (ii) low-cost carriers, which are characterized by the simplicity of their business model, making concessions on quality of service (timetables, airports served, on-board comfort) and offering *à la carte* services for a fee (checked baggage, food on board, etc.) in order to offer the most attractive price to the consumer. These companies have developed mainly on medium-haul routes, although there are new entrants who have not yet proven themselves on long-haul routes; (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 relying, for an important part of their commercial strength, on marketing packages; 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 part 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 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 3.8.2.2 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 such as Flair and Lynx Air (formerly Enerjet) have entered the Canadian market during the pandemic. These are foreign-backed companies that have announced very significant development plans in Canada, with a development strategy focused on the domestic and transborder markets, in addition to some major sun destinations.

Transat's competitors include namely Air Canada, WestJet, Swoop, Sunwing, Air France, KLM, British Airways, Aer Lingus, Corsair, Brussels Airlines, TAP Portugal, Lufthansa, American Airlines, Flair Airlines, Lynx Air, Canada Jetlines and OWG (Nolinor).

3.6 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 still featured on one of its aircraft and in certain travel agencies, Canadian Affair, Club Voyages, Trafictours, Transat, Turissimo, Liberty Travel/Voyages en Liberté, Marlin Travel/Voyages Marlin, Transat Travel/Voyages Transat, TravelPlus, Luxexpert, connectair by Air Transat and Travel Moves Us/Le voyage nous transporte as well as other trademarks, trade names, designs and domain names associated or not to the aforementioned trademarks.

Some of these trademarks, including in particular Air Transat, Transat, Club Voyages, Transat Travel/Voyages Transat, TravelPlus, Marlin Travel/Voyages Marlin and connectair by Air Transat, share the star design. 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 our employees. It also maximizes customer awareness on both the B2C and B2B markets, while creating value and fully leveraging the contribution of all of our business units. 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 rights and trademarks belonging to others.

3.7 Trends

Market Recovery

The recovery of international tourism depends on several factors, including the general economy and the financial health of travellers. During the year, recovery was gradual as the pandemic situation stabilized and border restrictions were lifted. The entire aviation ecosystem worked hard to quickly restart its operations. However, the activities resumed with a unique and unprecedented level of traffic recovery. Travellers showed immense interest and many were eager to resume travel after two difficult years. As a result, industry stakeholders faced many challenges in an environment that still included uncertainty.

The beginning of the year was marked by the emergence of the Omicron variant, which in turn undermined the industry's activities. Many air carriers had to reduce their winter programs once again, still having to deal with the restrictive measures imposed by governments.

Once the Omicron wave had passed, the aviation ecosystem had to face a new set of challenges related to the global operating environment, which was particularly difficult in the last year and included saturated airports, delays in maintenance and aircraft deliveries, training and reclassifying of personnel. After a spring and summer spent putting the various links of the aviation ecosystem back in place, a normalization of operations is on the horizon.

In July 2022, North American passenger traffic had grown 48% since Omicron's peak in January of that year. Also for the July 2022 results, the Canadian market reached close to 83% of its July 2019 level, compared to 78% two months earlier in May.

The trajectory of the recovery has varied from country to country, largely due to a variety of travel restrictions that are tighter in some countries than others. This was the case for travel bookings to Canada, which remained relatively weak in 2021, largely due to tighter restrictions at the border and for international travellers.

The sector is now facing new challenges, including high energy prices, inflation and economic threats, as well as continued labour shortages. Indeed, new concerns about inflation and a possible economic slowdown were felt at year-end as central banks around the world raised their key interest rates in rapid succession. In addition, low unemployment rates and labor scarcity remain. In addition to these, other geopolitical elements could affect the market, such as the conflict in Ukraine and the appreciation of the US dollar.

All in all, the global airline industry has continued to show great resilience and agility throughout the great historical shock of the pandemic by adapting to constantly changing and often difficult-to-implement uncoordinated measures. It is against this backdrop that IATA expects the industry to return to 2019 traffic levels by 2024.¹

Passenger trends

Global passenger traffic continued to climb in 2022 and in October stood at 81% of pre-pandemic levels, with 55% growth over the previous year.² As of early May 2022, the gap between 2022 and 2021 bookings (as a proportion of 2019 levels) was 70 points in Canada.³

The trend of last-minute bookings is deepening, as passengers still perceive a degree of uncertainty in the face of the pandemic and the economic environment. As of early October 2022, more than 88% of bookings are for travel within the next few months and only 12% of bookings are for travel beyond January 2023.⁴

Recent consumer surveys confirm that the geopolitical and macroeconomic contexts, as well as challenges arising from labour shortages in terms of skills and quality of service, have surpassed COVID-19 as the top travel concern.

All in all, 2022 is ending on a note of definite recovery of activities during the year, both in terms of air traffic and traveller demand, but several more months will be required for the aviation ecosystem to return to a level of operation similar to the pre-pandemic level.

3.8 The Regulatory Environment in which we Operate

As a vertically integrated company, we are involved in 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 laws and regulations. You will find below a description of the laws and regulations to which we are subject.

¹ IATA, Quarterly Air Transport Chartbook, Q3 2022

² IATA, Quarterly Air Transport Chartbook, Q3 2022

³ IATA, <https://www.iata.org/en/iata-repository/publications/economic-reports/challenging-passenger-demand-surge-amid-wider-recovery/>

⁴ IATA, Quarterly Air Transport Chartbook, Q3 2022



3.8.1 Tour Operators and Travel Agencies

3.8.1.1 Canada

General information

In Quebec, 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 Quebec, 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 favour of consumers to protect them against fraud or 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.

Quebec

Quebec is the only province where the compensation fund (Compensation Fund for Customers of Travel Agents or the “CFCTA”) is made up of customer contributions.

Before the pandemic, when the value of the CFCTA was equal to or greater than \$125 million, customers of travel agents were credited the amount of their contribution to the CFCTA, thereby making the protection free-of-charge. Collection of contributions would resume, according to the calculation prescribed in the regulation, if the surplus accumulated as of March 31 of each year decreased 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. Customers can claim directly from the CFCTA 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 cannot exceed 60% of the surplus accumulated in the CFCTA as of the previous March 31 or be less than \$30 million.

Due to the COVID-19 pandemic, the CFCTA received over 44,000 claims of which 9,177 were paid as of September 20, 2022, from the CFCTA. Fearing a reduction in the value of the CFCTA, the government deemed it necessary to start collecting contributions again. Therefore, since November 1, 2021, under the *Regulation respecting certain temporary measures relating to the Fonds d'indemnisation des clients des agents de voyages* which came into force on October 14, 2021 (the “*Regulation respecting certain temporary measures*”), the contribution to the fund was reinstated and set to 0.35% of the amount of tourism services purchased until the end of 2023. The situation will be reassessed at that time. Moreover, the *Regulation respecting certain temporary measures* increased the maximum compensation per event to 75%. In addition, the above-mentioned lower threshold of \$30 million does not apply until December 31, 2023.

In addition to the foregoing, 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 duties from March 1, 2021 to February 28, 2023.

Ontario

In Ontario, as opposed to Quebec, 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 Quebec, 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 compensation fund could be amended.

In Ontario, special measures for tour operators and travel agents were adopted due to the pandemic. At the end of March 2020, the *Ontario Regulation 26/05* under the *Travel Industry Act 2002* was quickly amended, in order to alleviate the burden for registered travel agents and tour operators in Ontario 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 did not receive the travel services that they had paid for, travel agencies or tour operators registered in Ontario had to 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 was due to the COVID-19 pandemic as of March 30, 2020, until March 31, 2024, travel agencies and tour operators that sold these services, may choose to only issue credit vouchers, provided that the credit voucher (1) is at least of equal value to the services not provided; (2) is valid for a minimum of one year from the date it is issued to the customer; and (3) 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 order to support travel agents and wholesalers, TICO offered 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 and March 31, 2023. This exemption will end on April 1, 2023.

British Columbia

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.

At this time, the reimbursement cap protocol in British Columbia remains uncertain, given that the suspension of contributions otherwise required to be paid by 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.

3.8.1.1.1 Advertised Price for Travel Services

When it comes to advertising, Quebec 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 Quebec 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 Quebec 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 Quebec 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.

3.8.1.1.2 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.

3.8.1.2 United Kingdom

The UK travel industry is governed by 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 Affair issued a letter of credit of £0.7 million to ABTA.

3.8.2 Air Carriers

3.8.2.1 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. It should be noted that this regulation was introduced into British domestic law despite it leaving the EU.

3.8.2.2 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.

Air Transat's flights are generally 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 27 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, Netherlands Antilles, 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. Since September 8, 2022, the Agency has added new passenger refund obligations to the Amended Regulations;

(ii) an increase of the maximum number of voting shares of a Canadian-licensed airline that can be beneficially owned by non-Canadians, in certain circumstances, from 25% to 49%, subject to the stated restrictions (see section 7.1 Constraints on Share Ownership);

(iii) the establishment by the federal minister of transport of an approval process under competition laws for airline joint ventures. On June 18, 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”) received royal assent. 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.

Air Transat complies with the provisions applicable to it under 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 travellers with disabilities; (iii) provide accessible services; and (iv) make border and security screening more accessible.

On June 14, 2022, the Canadian government introduced Bill C-26, *An Act respecting cyber security* (Bill C-26), which will eventually introduce significant cybersecurity requirements that will apply to certain federal industries. In particular, Bill C-26 would apply to operators in the transportation sector. Under this legislation, the Canadian government would be able to designate certain systems and services as vital to national security and require the implementation of specific cybersecurity programs with additional disclosure requirements. These changes will have little impact on Transat's practices as it already has an extremely robust program in place.

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, PIPEDA governs the processing of personal information of employees working for federally regulated employers. Subject to certain exceptions, 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 Quebec). 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 PIPEDA. 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"), as amended by the *Act to modernize legislative provisions as regards the protection of personal information*. The Privacy Act requires the informed consent, implied or express, as appropriate, of the individuals 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 specified or permitted by the Privacy Act. Transat Tours' privacy policies meet or exceed the requirements of the Privacy Act.

Pursuant to the adoption of *An Act to modernize legislative provisions as regards the protection of personal information*, new requirements were and will be introduced to the Privacy Act until September 2023. Since September 2022, a privacy officer was appointed pursuant to this act and Transat is now required to report privacy incidents. Once again, these changes had 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 Air Transat's 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.

3.8.2.3 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.

3.8.2.4 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.

3.8.2.5 Environmental Regulations

Increased societal awareness of climate change has resulted in increased regulatory attention to the aviation industry. Legislation to reduce greenhouse gas emissions has been passed in various jurisdictions. This includes

carbon taxes, emission trading schemes, and requirements to reduce the carbon intensity of fuels. See section 3.9.4.1 for more information on the greenhouse gas emissions regulations affecting Transat.

3.9 Corporate Responsibility

Transat is committed to deploying its operations in a sustainable way for its clients, employees and surrounding communities, both here and at destination. The Corporation's corporate responsibility strategy is based on the three following objectives:

- A. Implement responsible practices;
- B. Ensure the well-being of its employees and communities;
- C. Protect the environment by addressing climate change;

3.9.1 Responsible Practices

Governance and Disclosure

Corporate responsibility governance (CR) is administered within Transat's internal control framework and risk management processes. It ensures that its activities are conducted with integrity and transparency. In 2022, Transat created the new position of vice-president, Corporate responsibility to reinforce its commitment to CR and to better support Transat's priority objectives, including the reduction of its carbon emissions.

Since 2021, the Risk Management and Corporate Responsibility Committee (RMCRC) receives regular updates on the Corporation's progress on climate change and corporate responsibility objectives and strategy. This approach is designed to manage in advance the impacts that global warming is expected to have on many aspects of its activities.

In May 2022, Transat published its second annual climate-related disclosure report in connection with the CEEFC loan obtained from the Canada Enterprise Emergency Funding Corporation. Aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TFCFD), this report contains a detailed assessment of short-, medium- and long-term environmental risks and opportunities.

Transat ensures 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 regulation.

Ethics and Supply Chain

Transat strongly believes that the conduct set out in its Code of Ethics promotes a healthy workplace and fair business practices, while consolidating the trust of its stakeholders and Transat's reputation. Its employees regularly affirm their commitment to these rules in their day-to-day conduct and relationship 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.

Transat's commitment to ethical business practices also extends to its supply chain. This is illustrated by its Responsible Sourcing Policy and its Code of Conduct for Sustainable Practices for Tourism Providers and their Partners. In addition, in 2022, Transat renewed its Travelife certification, which recognizes best practices in sustainable development in the tourism industry.

3.9.2 Well-being of Employees and Communities

Transat is committed to maximizing the development and well-being of its employees and to fostering an engaging and respectful work environment. In addition, the Corporation is in the process of developing a strategy for diversity, equity and inclusion.

Transat believes in generosity and the importance of engaging in its community. The Corporation invests in local and international humanitarian aid, child protection, as well as culture, health and education initiatives. Since 2009, Transat has organized an annual workplace charitable campaign for two organizations: United Way Canada and SOS Children's Villages.

This year Transat added another element to its philanthropic endeavours, namely, establishing a partnership with 4Ukraine.ca to help Ukrainians displaced by war relocate to Canada, by providing available seats to Ukrainian nationals on their flights from Europe to Canada. Transat's efforts to help Ukrainians affected by the ongoing conflict also included a fundraising campaign among its employees and customers to support SOS Children's Villages in this area of the world.

3.9.3 Protection of the environment

Transat strives to minimize the negative environmental impacts of its business and has implemented many initiatives to reduce the carbon footprint of its flight operations and buildings, as well as reduce waste generation. Notable achievements include the development of an end-of-life aircraft recycling program, the installation of a solar wall at Air Transat's head office in Dorval, the installation of free electric vehicle charging stations for its staff and the introduction of composting programs.

Transat has several processes in place to ensure that it complies, in all material respects, with the provisions of environmental laws and regulations applicable to its operations. Transat's environmental policy sets out its key environmental commitments, including compliance with environmental protection regulations, reduction of its carbon footprint, responsible sourcing, waste reduction, and protection of biodiversity. The policy is supported by the implementation of an environmental management system, which is in line with ISO14001:2015 standards.

The environmental management system provides a quarterly legal review process whereby any new environmental regulations relevant to Transat are identified and incorporated into its processes. The Risk Management and Corporate Governance Committee of the Board of Directors conducts an annual risk assessment and reviews corporate environmental policies and procedures.

3.9.4 Climate Change

Governments and Industry

The airline industry is pursuing ambitious climate change targets. On October 7, 2022, at the 41st ICAO (International Civil Aviation Organization) Assembly, the Member States of the ICAO adopted a long-term global aspirational goal (LTAG) for net-zero carbon emissions by 2050. This historic agreement aligns with both the Paris Agreement's goal of limiting global warming to 1.5°C and the resolution adopted by airlines at the 77th IATA General Assembly in October 2021.

The Assembly also strengthened its commitment to the offsetting requirements for international aviation (CORSIA) and increased its ambition by agreeing to stabilize international aviation emissions on a new baseline from 2024, set at 85% of the 2019 level.

The States attending the ICAO Assembly also emphasized the importance of implementing an effective global policy framework to support sustainable aviation and supported the ICAO's new assistance programme (ACT-SAF) to accelerate the availability and use of 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 and deployment.

Working with its federal and aviation partners, Transport Canada has renewed Canada's Aviation Climate Action Plan (2022-2030), which aims for carbon neutrality by 2050 and sets an ambitious target of 10% sustainable aviation fuel use by 2030 to send a clear message that Canada and the aviation sector recognize the need for SAF to achieve its goal.

Investments in new aeronautical technologies, especially in alternative propulsion (electric and hydrogen) will also be necessary to achieve net-zero emissions. Aircraft have a lifespan of more than 25 years before they are replaced, and today's aviation fuels have unique properties that make them a propulsion method that cannot compare to 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. To a lesser extent, continued improvements in infrastructure and operational efficiency, particularly air traffic management, will provide further carbon reduction gains.

Transat

Transat is aligned with industry goals to achieve carbon-neutral growth from 2019 and net-zero emissions by 2050. An interdepartmental decarbonization committee has been established within the Corporation to develop the climate action plan, including the identification of carbon emission reduction targets and SAF procurement targets. This action plan will be based on the fleet modernization strategy and the fuel economy program.

For many years, Transat has been taking concrete steps to reduce its air carbon emissions. Introduced in 2004, its fuel management program helps improve the fuel efficiency of its flight and ground operations. The renewal of its fleet, which began in 2019 with the arrival of the first Airbus A321LR, continues and helps reduce the

environmental impact of its airline operations. 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 aircraft, this aircraft consumes 15% less fuel and reduces NO_x emissions that contribute to smog and acid rain by 50%,⁵ in addition to producing 50% less noise in the cabin and for communities.

Transat considers sustainable aviation fuel to be a key element in achieving its carbon emissions reduction goal. It recognizes the importance of supporting the development of sustainable fuels in Canada and ensuring a long-term supply for its airline operations. In November 2021, Air Transat, an early partner of SAF+ Consortium, signed a commercial agreement for up to 90% of SAF+ Consortium's SAF 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 Transat's commitment to addressing climate change by becoming the first airline in Canada to reserve a significant volume of SAF.

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 Quebec. While there are several types of sustainable fuels, Transat considers electro-fuel to be a particularly promising avenue because it does not compete with other uses for its raw material.

The commercialization agreement between Air Transat and the SAF+ Consortium allows Air Transat to secure, once in production, a long-term supply of sustainable aviation fuel. However, the timing of the project is conditional on the progress of the project by SAF+. While SAF commercialization 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.

3.9.4.1 Greenhouse gas emission regulations

Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA")

The Carbon Offsetting and Reduction Scheme for International Aviation or "CORSIA" was adopted by the International Civil Aviation Organization in 2016. Under CORSIA, any growth in emissions above the applicable base year level will have to be offset by airlines through the purchase of offsetting credits or the use of sustainable biofuels.

This scheme 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). Transport Canada takes into account the implementation of CORSIA via the Canadian Aviation Regulation (the "CAR"). In accordance with the regulation, Air Transat submits an annual verified emissions report to Transport Canada. The reference for the annual offset calculations should initially correspond to the average 2019 and 2020 sector emissions; in the wake of the pandemic, the reference was amended and now corresponds to 85% of sector emissions in 2019. This change will result in financial pressure and a further burden for the airline companies.

⁵ <https://aircraft.airbus.com/en/aircraft/a320-the-most-successful-aircraft-family-ever/a320neo>



The airline companies will start fulfilling their CORSIA obligations when the aeronautical industry, as a whole, has reached and exceeded its 2019 emission levels. Due to the decrease in the number of flights caused by the pandemic, Air Transat does not expect to have to purchase offsets for the first years of the scheme. Determining the costs of this obligation will depend on participating countries, growth on qualified city pairs, and the type of eligible carbon offsets.

Emissions Trading Scheme 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-ETS"). The EU-ETS only governs intra-EEA ("European Economic Association") flights and the UK-ETS only governs intra-UK flights. These systems require the monitoring, verification and reporting of emissions from subjected flights. The costs associated with these systems are currently not significant for Air Transat as they represent a very small percentage of its overall routes.

However, in connection with the Green Deal, the EU published the Fit for 55 Package which calls for a 55% reduction in emissions by 2030 compared to 2005. The package is a set of proposals to revise and update EU legislation and to put in place new initiatives to ensure that EU policies are consistent with the climate goals agreed by the Council and the European Parliament.

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

1. Revise the EU-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) and reduce the emissions cap by 4.2% annually. Finally, the EU-ETS would continue to apply to all intra-EEA flights as well as flights to the UK and Switzerland.
2. The ReFuelEU provision for aviation would impose increasing requirements for the use of sustainable aviation fuel ("SAF"), including a minimum share of synthetic jet fuel:
 - 2% from 2025.
 - 5% from 2030, with a minimum of 0.7% e-kerosene.
 - 20% from 2035, with a minimum of 5% e-kerosene.
 - 32% from 2040, with a minimum of 8% e-kerosene.
 - 38% from 2045, with a minimum of 11% e-kerosene.
 - 63% from 2050, with a minimum of 28% e-kerosene.
3. The energy tax directive would end the current tax exemptions on aviation fuel established under the Chicago Convention. From 2023, the tax would start at zero and increase linearly over 10 years to €10.75/GJ. This would significantly increase the cost of kerosene purchased in Europe.

These proposals are currently under review by the EU. If implemented in their current form, they would have a significant impact on Air Transat's operations by significantly increasing operating costs and potentially reducing demand for European flights.

Canada's Greenhouse Gas Pollution Pricing Act

To meet its commitments under the Paris Agreement, the Canadian government has set a minimum price for carbon under the *Greenhouse Gas Pollution Pricing Act*. The federal minimum price started at \$20 per tonne of CO₂ equivalent in 2019. It increased to \$40 in 2021, will be \$50 in 2022, and will increase by \$15 per year thereafter to \$170 in 2030. It should be noted that only domestic aviation is subject to this legislation. Some provinces, such as British Columbia, have already begun to tax fuel on intra-provincial flights. Since Air Transat has almost no intra-provincial flights, this will not have a significant economic impact for us. The Government of Canada recognizes in Canada's Aviation Climate Action Plan the need to do more work to establish a consistent policy to address interprovincial aviation emissions. In the future, the Canadian government may decide to implement an emissions trading system for domestic flights, which would have an impact on our costs.

Clean fuel standards

The Canadian Clean Fuel Regulations are an important part of Canada's climate plan to reduce emissions, accelerate the use of clean fuels and technologies, and support long-term sustainable jobs in a diversified economy. The version of the regulations published on July 6, 2022, excludes aviation fuel.

A growing number of countries, such as Norway, Sweden, Germany, the EU, the Netherlands and the UK have, or are planning, the adoption of SAF blending obligations over the coming years. Such a government decision will pose a significant challenge, as these types of fuels are not widely available to the aviation sector and are significantly more expensive than conventional fuel.

Climate Disclosure

In 2021, the Canadian Securities Administrators (CSA) published for comment the Draft Regulation 51-107 respecting Disclosure of Climate-related Matters (Regulation 51-107).

The stated aim of proposed Regulation 51-107 is to standardize issuers' climate-related disclosures to allow for more effective comparability of the climate-related risks and opportunities facing Canadian issuers. The CSA is currently reviewing these regulations in light of international developments in the area. More specifically, the United States Securities and Exchange Commission (SEC) has proposed amending certain regulations to require registrants to provide certain climate-related information in their registration statements and annual reports. As well, the International Sustainability Standards Board (ISSB) is working on climate disclosure standards.

3.9.5 Data Protection and Cybersecurity

Cybersecurity is a priority for Transat to support the Corporation'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.

More particularly, 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 3.8.2.2 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, Transat has put in place a team of experts and a security breach response plan to help guide its 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 regular mandatory cybersecurity and privacy training, supplemented by monthly phishing campaigns.

3.10 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, 2022, available for consultation on SEDAR (www.sedar.com).

4. THREE-YEAR HISTORY

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

FISCAL 2022

On October 18, 2022, Air Transat and Porter Airlines, two of Canada's most prominent airlines, announced the launching of their bilateral codeshare agreement, previously announced on March 8, 2022, which provides for the possibility of combining Porter Airlines' domestic flights to and from Halifax (YHZ) and Toronto (YTZ), and select Air Transat flights to and from Montreal (YUL).

On October 11, 2022, Air Transat announced the addition of Viva Air flights to its virtual interlining service. This will now allow travellers to combine select Air Transat and Viva Air flights, making it easy for them to fly via Cartagena to Cali, Medellín, Bogotá, Cúcuta, Pereira, Neiva and Pasto.

On October 5, 2022, Air Transat revealed a new brand positioning and signature: ***Travel Moves Us.***

On September 26, 2022, Air Transat was voted North America's Best Leisure Airline at the 2022 Skytrax World Airline Awards.

On September 8, 2022, Air Lease Corporation (NYSE: AL) announced long-term lease placements for four new Airbus A321XLRs with Air Transat. The delivery of three new aircraft to the airline is confirmed starting at the end of 2025 through 2026 according to ALC's order book with Airbus. The agreement also includes an option for one additional A321XLR aircraft to be delivered in 2027.

On September 6, 2022, Nuvei Corporation ("Nuvei") (Nasdaq: NVEI) (TSX: NVEI), tomorrow's payment platform, announced that it was partnering with Air Transat to offer Air Transat

customers a frictionless and intuitive payment experience while providing revenue accelerating approval rate optimization and fraud management capability to the airline. Through this partnership, Air Transat has secured card acquiring capabilities with enhanced payment processing in 39 markets globally.

On July 29, 2022, the Corporation announced that it has reached an agreement with Canada Enterprise Emergency Funding Corporation ("CEEFC"), a federal Crown corporation, to obtain \$100 million in additional liquidity. In connection with the establishment of such additional funding, through the Large Employer Emergency Financing Facility (LEEFF), Transat has reached an agreement with all lenders to defer the April 2023 maturities to April 2024, as well as to defer from October 2022 to October 2023 the date by which the Corporation must meet certain financial covenants.

Such liquidity is in addition to initial financing secured on April 29, 2021, in the amount of \$700 million, through LEEFF, to help the Corporation overcome the effects of the pandemic. On March 10, 2022, Transat also received an additional \$43.3 million for traveller refunds and negotiated favourable 20-month deferrals for certain key terms of the unsecured LEEFF financing agreement.

On July 20, 2022, Air Transat announced that it was enhancing its exclusive virtual interlining service with the addition of AEGEAN, Greece's largest airline, to its innovative connectair by Air Transat platform. This now means travellers can combine Air Transat and AEGEAN flights, making it easy for them to fly to or from 53 destinations in Europe and the Middle East, including Heraklion, Larnaca, Cairo, Mykonos, Thessaloniki and Tel Aviv.

On June 3, 2022, Air Transat announced its partnership with 4Ukraine.ca to help Ukrainians displaced by war relocate to Canada. Air Transat will be providing available seats to Ukrainian

nationals on their flights operated from Paris and London mainly to Montreal or Toronto. 4Ukraine.ca will be covering taxes and airport charges.

On May 25, 2022, Air Transat announced that it was enhancing its exclusive virtual interlining service with the addition of Air North, Yukon's airline, to its innovative connectair by Air Transat platform. This now means travellers can combine Air Transat and Air North flights, making it easy for them to fly to or from Edmonton, Kelowna, Victoria, Yellowknife and Whitehorse.

On April 28, 2022, Air Transat and WestJet announced the launching of their transatlantic codeshare agreement. WestJet's "WS" code was activated for sale on select Air Transat-operated flights to and from France, Italy, Spain, Portugal, Switzerland, and Croatia. Connections via Montreal and Toronto are now available for flight dates beginning May 17, 2022. On May 4, 2022, Air Transat's "TS" code was activated on select WestJet flights and from that date Air Transat will also offer itineraries connecting select WestJet flights with certain of Air Transat's appealing European destinations.

On February 23, 2022, the Corporation announced the appointment of Marc-Philippe Lumpé as Chief Airline Operations Officer. Mr. Lumpé is in charge of all of the Corporation's airline operations, replacing Jean-François Lemay, who has helmed Air Transat since 2013.

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 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+ Consortium's goal is to bring to market by 2025–2026 a synthetic kerosene (e-fuel) 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. The Corporation considers e-fuel to be 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 acting Vice-President, Finance and Administration and Chief Financial Officer.

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. ("TraficTours"), 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 Canada 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 12 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 temporary complete 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 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 2021, 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, 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, Air Transat made its first commercial flights, the same day it resumed air operations after four months of inactivity. These 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 that the agreement marks a historical moment for the Canadian aviation industry since, to the Corporation's knowledge, it was the first time that 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 rely on 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, named the World's Best Leisure Airline in 2019, ranked eighth on Forbes magazine's annual list of Canada's Best Employers, up by an impressive 43 positions compared with the previous year. Meanwhile, in Quebec, the company jumped 10 spots into third place.

For more information, we refer you to the section "Core Business, Vision and Strategy" of the Management's Discussion and Analysis for the year ended October 31, 2022, which can be found on SEDAR (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.

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 the Liberia airport.

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 Performance + ranking of the third of four levels, 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 the Montreal-Trudeau International Airport and the Louis Armstrong New Orleans International Airport.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

For a more detailed description of the Corporation's business, vision and strategy, a review of its objectives and achievements for 2022, its ability to meet its objectives and finally, its financing operations in the past year, we refer you to our Management's Discussion and Analysis for the year ended October 31, 2022, which can be found 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 in affiliation with another person, 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 non-Canadian holders of Class A 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 an act 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 an act 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 laws 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, 2022, there were 1,428,479 issued and outstanding Variable Voting Shares and 36,583,665 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:

- (i) such Variable Voting Share is or becomes owned and controlled by a Canadian; or
- (ii) 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 7.3.1.1, 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 7.3.2.1, 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 ($66\frac{2}{3}\%$) 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, 2022.

TRANSAT A.T. INC. "TRZ"			
Month	High	Low	Volume
October 2022	\$2.84	\$2.50	1,515,289
September 2022	\$3.14	\$2.72	1,776,106
August 2022	\$3.76	\$3.01	1,758,838
July 2022	\$3.60	\$3.10	1,820,907
June 2022	\$4.30	\$3.50	2,005,115
May 2022	\$4.62	\$4.01	2,742,676
April 2022	\$5.15	\$4.50	4,563,949
March 2022	\$5.41	\$4.17	8,858,904
February 2022	\$5.39	\$4.43	7,744,058
January 2022	\$4.79	\$4.00	4,678,633
December 2021	\$4.69	\$3.74	7,288,496
November 2021	\$5.88	\$4.27	9,786,441

On October 31, 2022, the closing price on the Toronto Stock Exchange of the Variable Voting Shares and the Voting Shares was \$2.60 per share.

Prior Sales

On April 29, 2021, the Corporation issued 13,000,000 warrants which are not listed or quoted on a stock exchange. Each warrant may be exercised for one Class B share at a price of \$4.50 per share.

On July 29, 2022, the Company issued 4,687,500 warrants which are not listed or quoted on a stock exchange. Each warrant may be exercised for one Class B share at a price of \$3.20 per share.

For more details, please refer to note 15 of the financial statements in our annual report.

9. OUR DIRECTORS AND EXECUTIVE OFFICERS

9.1 Our Directors

The following table states, as at the date of this AIF, the name, province and country of residence, year of election as director and present principal occupation of each director of Transat, as well as the number of voting shares of Transat beneficially 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) ⁽²⁾
Annick Guérard <i>Quebec, Canada</i>	President and Chief Executive Officer	May 2021	n/a	72,339	0
Raymond Bachand⁽¹⁾ <i>Quebec, Canada</i>	Chair of the Board and Strategic Advisor, Norton Rose Fulbright	March 2014	2023	0	73,746
Lucie Chabot <i>Quebec, Canada</i>	Corporate Director	October 2015	2028	6,290	28,155
Valerie Chort <i>Ontario, Canada</i>	Vice-President, Corporate Citizenship and Sustainability of RBC	April 2022	2035	0	9,366
Daniel Desjardins <i>Quebec, Canada</i>	Corporate Director	January 2022	2031	5,500	13,878
Susan Kudzman <i>Quebec, Canada</i>	Corporate Director	March 2014	2026	0	62,245
Stéphane Lefebvre <i>Quebec, Canada</i>	President and Chief Executive Officer of Cirque du Soleil	April 2022	2035	0	7,207
Ian Rae <i>Quebec, Canada</i>	Founder and Chief Executive Officer of CloudOps Inc.	October 2018	2031	0	18,667

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) ⁽²⁾
Philippe Sureau ⁽¹⁾ <i>Quebec, Canada</i>	Interim Vice-President, Finance and Administration and CFO and Corporate Director	February 1987	2022	323,209	35,545
Julie Tremblay <i>Quebec, Canada</i>	Corporate Director	January 2022	2035	0	12,836

(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 deferred share units indicated is given as at October 31, 2022, 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:

- 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, since April 2022, she has been a member of the board of directors and the audit committee of Richelieu Hardware Ltd. She was also a member of the board of directors and Chair of the audit committee and a member of the governance committee of Tourisme Montréal from May 2019 to June 2022;
- Mr. Daniel Desjardins was Senior Vice President, Legal Affairs and Secretary at Bombardier Inc. until December 2019. 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 Bombardier Transportation. Mr. Desjardins is a member of the Board of Directors of Noranda Income Fund as well as a member of its Audit Committee and Independent Committee of the Board. He is also Chair of the Governance and Human Resources Committee of Noranda Income Fund;
- 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. Ms. Kudzman is currently chair of the board of directors of Yellow Pages Ltd, a member of the board of directors of Medavie and chair of its Audit and

Risk Committee and also a member of the board of directors of PSP as a member of the investment, human resources and governance committees;

- In December 2021, Mr. Stéphane Lefebvre was appointed President and Chief Executive Officer of Cirque du Soleil, a global entertainment company, and has held many executive positions with the company since 2016, including Chief Operating Officer and Chief Financial Officer. Since 2017, Mr. Lefebvre has been a member of the board of directors of C2 Montréal, a non-profit organization. He is also a director on the board of Financial Executives International (FEI) Canada, Quebec Chapter;
- Ms. Julie Tremblay was President and Chief Executive Officer of TVA Group Inc. and Quebecor Media Group, a business unit of Quebecor Media Inc., a media leader in broadcasting, film and audiovisual production, news media, magazines and book publishing from July 2014 until she retired in October 2017. Between 1989 and 2014, she held various senior positions at Quebecor Inc., a Canadian leader in telecommunications, entertainment, news media and culture. Since January 2021, Ms. Tremblay is a director, member of the Nominating and Corporate Governance Committee and member of the Compensation Committee of Haivision Systems Inc. (TSX: HAI), a leading global provider of IP video solutions. She has also been a director of two private companies, namely, Attraction Media Inc., a leader in entertainment and media in Quebec, and serves as Chair of its Board of Directors and a member of its Human Resources and Governance Committee since December 2020, as well as of LG2, the largest independent creative agency in Canada, since November 2022;
- 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 March 9, 2023 (or, where applicable, in our most recent Management Proxy Circular for the meeting held on April 27, 2022) 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 October 31, 2022, 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	Lucie Chabot	Susan Kudzman	Daniel Desjardins	Raymond Bachand
Members	Raymond Bachand Lucie Chabot Daniel Desjardins Susan Kudzman	Raymond Bachand Daniel Desjardins Stéphane Lefebvre	Ian Rae Philippe Sureau Julie Tremblay	Valérie Chort Susan Kudzman Ian Rae	Lucie Chabot Valérie Chort Julie Tremblay

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 beneficially owned or over which he or she exercises control or direction.

As at October 31, 2022, the executive officers and directors of the Corporation as a group hold a total of 865,994 Voting Shares (made up of 862,194 Voting Shares and 3,800 Variable Voting Shares), which represent 2.28% of the total number of issued and outstanding Voting Shares and Variable Voting Shares (2.36% of the outstanding Voting Shares and about 0.2660% of the outstanding 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>Quebec, Canada</i>	2002	President and Chief Executive Officer of Transat	72,339
Joseph Adamo <i>Quebec, Canada</i>	2011	President of Transat Distribution Canada Inc. and Chief Sales and Marketing Officer of Transat Tours Canada Inc.	48,025
Michèle Barre <i>Quebec, Canada</i>	2017	Vice-President, Network, Revenue Management and Pricing	3,800
Patrick Bui <i>Quebec, Canada</i>	2021	Chief Financial Officer of Transat	0
Bernard Bussièrès <i>Quebec, Canada</i>	2001	Chief Legal and Government Relations Officer and Corporate Secretary of Transat	83,322
Debbie Cabana <i>Quebec, Canada</i>	2011	Director, Office of the President and Chief Executive Officer of Transat	0
Christophe Hennebelle <i>Quebec, Canada</i>	2009	Chief People, Sustainability and Communications Officer of Transat	36,116
Bruno Leclaire <i>Quebec, Canada</i>	2014	Chief Information and Digital Officer of Transat	25,748
Marc-Philippe Lumpé <i>Quebec, Canada</i>	2022	Chief Airline Operations Officer of Transat	0

(1) The number of shares indicated is given as at October 31, 2022, 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 the section and table "Ownership of Securities" of the Circular.

With the exception of Mr. Bruno Leclaire, who over the past five years has had the principal occupation indicated opposite his name, the other executive officers of Transat held the following positions with the Corporation:

- Mr. Joseph Adamo was Vice-President and Chief Distribution Officer of Transat Tours Canada Inc. from May 2017 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 October 2016. 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 May 2017;
- Ms. Michèle Barre joined the ranks of Transat in 2017 as Vice-President, Network, Revenue Management and Pricing. Her main objective is to ensure revenue growth and network development;
- Mr. Patrick Bui joined Transat in 2021 as Chief Financial Officer;
- Mr. Bernard Bussi res was Vice-President, General Counsel and Corporate Secretary of Transat from March 2001 to April 2021. Mr. Bussi res has been Chief Legal and Government Relations Officer and Corporate Secretary of Transat since April 27, 2021;
- Ms. Debbie Cabana was appointed Director of the Office of the President and CEO at the end of 2021. Ms. Cabana joined Transat's Communications and Corporate Affairs team ten years earlier, working among other things as a corporate spokesperson and head of media relations. She was then promoted to the Corporation's public relations division, where she was responsible for reputation management, brand visibility for Transat and Air Transat and influencer marketing;
- Ms. Annick Gu rard joined Transat in 2011, and has held various management positions within the business including Chief Operating Officer from November 2017 until May 2021 during which time she oversaw all operations and commercial activities of the Corporation. She has been President and Chief Executive Officer since May 25, 2021;
- Mr. Christophe Hennebelle held the position of Vice-President, Human Resources and Public Affairs of Transat from June 2016 to April 2022 and has also held many management positions within Transat since 2009. Mr. Hennebelle has been Chief People, Sustainability and Communications Officer of Transat since April 27, 2022;
- Mr. Marc-Philippe Lump  joined the ranks of Transat in 2022 as Chief Airline Operations Officer.

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;

except for Mr. Stéphane Lefebvre, who served as a director of Cirque du Soleil, a company that filed for protection under the *Companies' Creditors Arrangement Act* ("CCAA") in Canada on July 24, 2020, and under Chapter 15 in the United States on June 30, 2020, due to the impact of the COVID-19 pandemic. An acquisition agreement by existing secured creditors was approved by the Quebec Superior Court on October 26, 2020. On November 24, 2020, the Company announced the closing of the acquisition by its secured creditors and its emergence from CCAA and Chapter 15 protection.

9.4 Penalties or Sanctions

To the best of the knowledge of Transat, 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. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the following persons: (i) directors or executive officers of the Corporation, (ii) shareholders of the Corporation who, to the knowledge of the Corporation, beneficially own or control or direct more than 10% of any class of shares of the Corporation, (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

11. LEGAL PROCEEDINGS

In the normal course of business, the Corporation is exposed to various claims and legal proceedings. There are often many uncertainties surrounding these disputes 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, with coverage under said insurance policies that is usually sufficient to pay amounts that the Corporation may be required to disburse in connection with these lawsuits that are specific to the directors and officers, and not the Corporation. In addition, the Corporation holds professional liability and general liability insurance for lawsuits relating to non-bodily or bodily injuries sustained. In all these lawsuits, the Corporation has always defended itself vigorously and intends to continue to do so.

As a result of the COVID-19 pandemic, the Corporation has been the subject of a number of applications for authorization to institute class actions in connection with the reimbursement of customer deposits for airline tickets and packages that had to be cancelled. While some of these applications have not yet been definitively settled, the Corporation has refunded almost all of the customers, particularly since April 2021, using the unsecured credit facility related to travel credits. Consequently, applications for authorization to institute class actions that have not yet been settled may become moot. In any event, the Corporation will continue to defend itself vigorously in this respect. 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 (loss) and could have an unfavourable effect on cash.

11.1 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 difficult to predict with certainty, 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.

In previous fiscal years, the tax authorities had questioned the deductibility of tax losses the Corporation reported on its ABCP (Asset-Backed Commercial Paper) investments. In relation to this situation, in 2015, the Corporation paid a total of \$15.1 million to the tax authorities and objected to the notices of assessment received. During the year ended October 31, 2022, the Corporation and the tax authorities came to an agreement on the tax treatment of the deductibility of ABCP-related tax losses. As a result, under this settlement agreement, in addition to recovering the \$15.1 million paid in 2015, the Corporation recorded an additional income tax recovery of \$5.3 million and interest of \$2.1 million. As at October 31, 2022, the income tax receivable balance included an amount of \$4.9 million related to this settlement agreement while the accounts receivable balance included an amount of \$1.9 million related to accrued interest receivable.

12. TRANSFER AGENT AND REGISTRAR

As at the date of this AIF, the transfer agent and registrar for Transat's shares is TSX Trust Company, 1190 des Canadiens-de-Montréal Avenue, Suite 1700, Montreal, Quebec H3B 0G7. Their registrar offices are located in Toronto, Montreal, Calgary and Vancouver.

13. 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, 2022, and October 31, 2021, included in the Corporation's 2022 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*.

14. MATERIAL CONTRACTS

On April 29, 2021, the Corporation entered into an important agreement with the Government of Canada, which allows it to borrow up to \$312.0 million, allowing drawdowns to 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 \$700.0 million obtained by the Corporation from the Canada Enterprise Emergency Funding Corporation.

For further details of this agreement, please refer to our Management's Discussion and Analysis for the year ended October 31, 2022, which can be found on SEDAR (www.sedar.com).

15. BOARD CHAIR APPOINTMENT AND AUDIT COMMITTEE DISCLOSURE

15.1 Board Chair Appointment

Mr. Raymond Bachand has acted as Chair of the Board since May 27, 2021.

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 March 8, 2022. The Board of Directors of Transat adopted and ratified the Charter of the Audit Committee on March 9, 2022. 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. The members of the Audit Committee are Mr. Raymond Bachand, Ms. Lucie Chabot (Chair), Mr. Daniel Desjardins and Mr. Stéphane Lefebvre.

15.4 Financial Literacy

Raymond Bachand. Mr. Bachand received his law degree from the Université de Montréal in 1969 and became a member of the Quebec 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 Quebec Minister of Labour and Manpower between 1977 and 1979, and served as Special Secretary in the Office of the Premier of Quebec 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 Quebec 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 founding 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. On November 17, 2022, Mr. Raymond Bachand received the insignia of Officer of the Order of Canada.

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., an aluminum company and an Investissement Québec subsidiary. From May 2019 to May 2022, Ms. Chabot was 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. 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.

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.

Stéphane Lefebvre. Mr. Lefebvre is President and Chief Executive Officer of Cirque du Soleil since December 2021, a global entertainment company, and has held several executive positions with the company since 2016, including Chief Operating Officer and Chief Financial Officer. He has been responsible for, among other things, overseeing finance, information technology, global procurement and risk management for Cirque du Soleil's entertainment group and deploying capital in its strategic growth areas. Mr. Lefebvre has over 30 years of experience in strategic repositioning and change management, having led several large-scale initiatives including turnarounds, acquisitions, integrations, restructurings and financings. He also has experience in the Canadian and U.S. capital markets and corporate governance. Mr. Lefebvre was previously Chief Financial Officer at CAE Inc., a Canadian manufacturer of simulation and modelling technologies and training services for airlines, aircraft manufacturers, healthcare professionals and defence customers, where he worked for 20 years. Mr. Lefebvre began his career as a chartered accountant with Price Waterhouse, working first in audit and then as a consultant, with a focus on mergers and acquisitions and insolvency matters. He holds a Bachelor's degree in Business Administration from the École des Hautes Études Commerciales in Montreal and is a member of the Order of Chartered Professional Accountants of Canada.

15.5 Complaint Procedures for Accounting and Auditing Matters

In compliance with *Regulation 52-110 respecting 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 Chief Legal and Government Relations Officer and Corporate Secretary of Transat or 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 Chief People, Sustainability and Communications Officer, the Chief Legal and Government Relations Officer 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, 2022 and October 31, 2021, Ernst & Young LLP billed the following fees for audit, audit-related, tax and all other services provided to the Corporation:

	2022		2021	
Audit Fees ⁽¹⁾	\$	1,535,000	\$	1,135,000
Audit-Related Fees ⁽²⁾	\$	365,000	\$	496,000
Tax Fees ⁽³⁾	\$	147,000	\$	145,000
All Other Fees ⁽⁴⁾		—		—
TOTAL	\$	2,047,000	\$	1,776,000

(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, 2022, 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, 2022. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Transat securities and securities authorized for issuance under equity compensation plans, will be contained in our Management Proxy Circular for the Annual Meeting of the Shareholders that will be held on March 9, 2023, or, where applicable, in our most recent Management Proxy Circular for the meeting 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, Quebec, 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 Corporation⁶ 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 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

⁶ 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 or employee 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 Chief Financial Officer or any other officer of the Corporation shall appear before the Audit Committee when required to do so. Moreover, the Audit Committee meets on a quarterly and annual basis with the Corporation's external and internal auditors, at the committee's option (but no less than once a year), without the presence of management. Each meeting of the Audit Committee provides for an in-camera session to be held, as needed, without the presence of the President and Chief Executive Officer and the 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 replacement.⁷

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 literate.⁸

⁷ Under the rules stated in *Regulation 51-102 respecting Continuous Disclosure Obligations*.

⁸ 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.

Mandate

The duties of the Audit Committee are as follows:

- I. Recommend to the Board of Directors the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or certification services;
- II. Recommend to the Board of Directors the compensation of the external auditors;
- III. Review, with the Corporation's external auditors, the approach and the scope of their audit plan and report to the Board of Directors on any material reservations the Audit Committee may have, or which the external auditors may have expressed regarding their work;
- IV. Resolve disagreements between management and the external auditors regarding financial information;
- 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 Chief Financial Officer and by the President and Chief Executive Officer pursuant to *Regulation 52-109 respecting 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 Chief Financial Officer and by the President and Chief Executive Officer pursuant to the *Regulation 52-109 respecting 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 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 and the 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 Committee;⁹

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;

⁹ For this purpose, the Audit Committee has adopted a Policy Respecting the Pre-Approval of Audit Services and Non-Audit Services.

- legal services;
- actuarial services; and
- brokerage, investment counsel and investment agreement services.

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

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

Annual Work Program

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

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.

