

Transat A.T. Inc.  
Management Proxy Circular  
2002



This Management Proxy Circular is furnished in connection with the solicitation by the management of Transat A.T. Inc. (the "Corporation") of proxies for use at the annual meeting (the "Meeting") of shareholders of the Corporation to be held on March 27, 2002 at the place and time and for the purposes set forth in the notice of Meeting as well as any adjournment thereof. The information provided herein is given as of February 4, 2002, unless otherwise indicated.

SOLICITATION OF PROXIES

The proxies contained in the enclosed form are being solicited on behalf of the management of the Corporation, the latter assuming the cost of printing, postage and sending. The solicitation will be conducted primarily by mail or by any other means deemed necessary by the management of the Corporation.

**If a shareholder wishes to appoint a proxy other than the person mentioned in the proxy form, the shareholder need only to enter the person's name in the space provided for in the enclosed proxy form. The nominee need not be a shareholder of the Corporation.**

To be valid, the duly completed proxy form must be received by or be delivered to Computershare Trust Company of Canada, 1800 McGill College Avenue, 7<sup>th</sup> Floor, Montréal, Québec, H3A 3K9 to the attention of the Corporation, no later than 5:00 p.m. on March 26, 2002.

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## REVOCATION OF PROXIES

A shareholder who has given a proxy may revoke it by a written instrument, signed by him or his representative authorized in writing to such effect. The revocation may be delivered to the Secretary of the Corporation at 300 Léo-Pariseau Street, Suite 600, P.O. Box 2120, Place du Parc Station, Montréal, Québec, H2W 2P6, until the last business day preceding the Meeting or any reconvening of the Meeting in case of adjournment, or deposited with the chairman of the Meeting on the date of the Meeting or any reconvening thereof in case of adjournment, or in any other manner permitted by law.

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## EXERCISE OF POWERS CONFERRED BY THE PROXY

The voting rights attached to the shares represented by the enclosed proxy form will be exercised in accordance with the instructions of the shareholder. The persons designated in the proxy form enclosed herewith are executive officers of the Corporation.

In the absence of contrary instructions by the shareholder, the representative will exercise the right to vote in favour of each of the matters indicated on the proxy form, in the notice of Meeting or in the Management Proxy Circular.

Management knows of no other matter that may be brought before the Meeting. If, however, other matters are properly submitted to the Meeting, the persons named in the enclosed proxy form will vote on such matters as they see fit, in accordance with the discretionary power conferred on them in the proxy form regarding such matters. The shareholder or his representative duly authorized in writing must sign the proxy form.

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## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The shares of the Corporation conferring voting rights at the Meeting are the common shares. As at February 4, 2002, the Corporation had a total of 32,437,487 common shares outstanding, and each such share entitles its holder to one vote.

As indicated in the notice of Meeting, the record date to determine the shareholders entitled to receive notice of the Meeting is the close of business on February 20, 2002. Each person who is registered as a holder of common shares at the close of business on February 20, 2002 will be entitled to vote at the Meeting or any reconvening of such Meeting if such person is present or represented by proxy. The transferee of common shares, as the case may be, acquired after the record date is entitled to exercise the voting rights pertaining to such shares at the Meeting or any reconvening of the Meeting if he produces duly endorsed share certificates representing such shares or if he otherwise proves his title to such shares and if he requires, not less than ten days prior to the Meeting, that his name be registered on the list of shareholders entitled to receive notice of the Meeting, which list has been prepared as of the record date.

As at February 4, 2002, the only persons or entities known by the directors and officers of the Corporation to hold 10% or more of the voting shares of the Corporation's share capital are Fonds de solidarité des travailleurs du Québec FTQ (the "Fonds"), which holds 3,930,086 common shares, namely 12.11% of the issued and outstanding common shares and 650,000 warrants entitling the holder to subscribe to the same number of common shares at an exercise price of \$6.75 each, Caisse de dépôt et placement du Québec (CDPQ) and its subsidiaries, which hold 3,819,575 common shares, namely 11.8% of the issued and outstanding common shares and 650,000 warrants entitling the holder to subscribe to the same number of common shares at an exercise price of \$6.75 each and Fidelity Management & Research Company and Fidelity Management Trust Company which both hold 3,450,900 common shares, namely 10.65% of the issued and outstanding common shares.

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## MANAGEMENT REPORT AND FINANCIAL STATEMENTS

The management report, the consolidated financial statements and the auditors' report thereon, for the fiscal year ended October 31, 2001, included in the Corporation's 2001 Annual Report, will be submitted to the shareholders at the Meeting, but no vote is required or anticipated in respect thereof.

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## ELECTION OF DIRECTORS

Pursuant to the articles of the Corporation, the Board of Directors must be made up of a minimum of nine and a maximum of fifteen directors. In accordance with a resolution of the Board of Directors, the number of directors of the Corporation to be elected at the Meeting has been established at thirteen.

Thirteen directors will be put forward at the Meeting as nominees for election to the Board of Directors of the Corporation. Each director will remain in office until the next annual meeting of shareholders or until his successor is elected or appointed.

One of the individuals whom the management proposes to nominate at the Meeting for election as director of the Corporation has been proposed by CDP Capital d'Amérique ("Capital d'Amérique") in accordance with an agreement entered into between Capital d'Amérique, Fonds, Air Transat A.T. inc. and the Corporation on January 10, 2002. One of the individuals whom the management proposes to nominate at the Meeting for election as director of the Corporation has been proposed by the Fonds in accordance with the same agreement.

The persons named in the enclosed proxy form intend to vote for the election of each of the nominees whose names are set out hereinbelow.

**Unless a shareholder indicates his intention to abstain from voting for the nominees, the voting rights attached to the shares represented by the proxy form enclosed herewith will be exercised in favour of the election of each of the thirteen persons listed.**

The table below provides certain information concerning the nominees for directors. The information provided in the table regarding each nominee is based on statements made by the person concerned.

NAME OF THE DIRECTOR	PRINCIPAL OCCUPATION	DIRECTOR SINCE	COMMON SHARES OWNED OR CONTROLLED OR DIRECTED
Jean-Marc Eustache <sup>1,3</sup>	Chairman of the Board, President and Chief Executive Officer of the Corporation and President, Look Voyages S.A. ( <i>tour operator</i> )	February 1987	853,949
André Bisson, O.C. <sup>2,4</sup>	Chancellor, Université de Montréal	April 1995	12,956
Lina De Cesare	Executive Vice-President - Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation ( <i>hotel management</i> ), and President, Tourbec (1979) Inc. ( <i>travel agency franchisor</i> )	May 1989	202,466
Benoît Deschamps <sup>1,2,4</sup>	Director of Corporations	April 1997	8,756
Marcel Gagnon	Investments Director, Manufacturing Sector, CDP Capital d'Amérique, Caisse de dépôt et placement du Québec (CDPQ) ( <i>institutional investor</i> )	March 1999	—
Jean Guertin <sup>1,3</sup>	Corporate Advisor and Honorary Professor, École des Hautes Études Commerciales de Montréal	April 1995	6,200
H. Clifford Hatch Jr. <sup>3</sup>	President and Chief Executive Officer, Aurdisyl Management Corporation, Cliffco Investments Limited and Equity Link Management Limited	March 2001	443
Michel Lessard <sup>4</sup>	President, Placement-Voyages Inc. ( <i>travel agency</i> ) and President, Club Voyages Air-Mer Inc. ( <i>travel agency</i> )	April 1998	5,316
André Lévesque	Captain and Check Pilot, Airbus A330, Air Transat A.T. Inc. ( <i>airline company</i> )	March 2000	55,116
Jacques Simoneau	Group Vice-President, Investments, Fonds de solidarité FTQ ( <i>institutional investor</i> )	November 2000	—
Philippe Sureau <sup>1</sup>	Executive Vice-President of the Corporation	February 1987	644,867
John D. Thompson <sup>2,3</sup>	Deputy Chairman of the Board, Montréal Trust Company ( <i>trust company</i> )	April 1995	17,956
Peter G. White	Executive Vice-President, Argus Corporation Limited	March 2000	566

<sup>1</sup> Member of the Executive Committee

<sup>2</sup> Member of the Audit Committee

<sup>3</sup> Member of the Human Resources and Compensation Committee

<sup>4</sup> Member of the Corporate Governance Committee

Mr. Jacques Simoneau has been President and Chief Executive Officer of the Société Innovatech du Sud du Québec between 1995 and 1999. Since 1999, he has been Group Vice-President, Investments, Fonds de solidarité FTQ.

The management of the Corporation does not anticipate that any of the nominees will be unable or no longer willing to act as a director, but if such should be the case prior to the election, the persons named in the enclosed proxy form will vote in favour of electing as director(s) any other person(s) that the management of the Corporation may recommend in place of such nominee(s) hereinabove, unless a shareholder indicates his intention to abstain from voting for the election of directors.

To be approved, the resolution appointing directors must be passed by a majority of the votes cast by all the shareholders present or represented by proxy at the Meeting.

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## APPOINTMENT AND REMUNERATION OF AUDITORS

At the Meeting, shareholders will be called upon to appoint auditors that will hold office until the next annual meeting of shareholders and to authorize the Board of Directors to fix their remuneration. Ernst & Young LLP have been the auditors of the Corporation since its incorporation.

**Unless a shareholder indicates his intention to abstain from voting, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted in favour of the appointment of Ernst & Young LLP as auditors of the Corporation and to authorize the Board of Directors to fix their remuneration.**

To be approved, the resolution appointing Ernst & Young LLP as auditors of the Corporation and authorizing the Board of Directors to fix their remuneration must be passed by a majority of the votes cast by all the shareholders present or represented by proxy at the Meeting.

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## PROPOSAL CONCERNING THE SHAREHOLDERS' SUBSCRIPTION-RIGHTS PLAN

At the Meeting, the shareholders will examine and, if deemed advisable, approve a resolution, the text of which is set forth in Schedule "A" hereto (the "Rights Plan Resolution"), to ratify the Amended and Restated Shareholders' Subscription-Rights Plan initially approved by the Board of Directors on February 3, 1999, ratified by the shareholders on March 24, 1999 and adopted and renewed by the Board of Directors on February 13, 2002.

The existing Shareholders' Subscription-Rights Plan effective since 1999 was scheduled to terminate at the end of the Meeting. On February 13, 2002, the Board of Directors restated the Shareholders' Subscription-Rights Plan for another three year period with certain minor modifications which are described hereafter (the "Rights Plan"). Although the Rights Plan became effective on such date, it will not continue to be in effect after the date of the Meeting unless it is ratified by the majority of the votes cast by "Independent Shareholders" (as defined in Schedule B), in person or by proxy, at the Meeting.

**Unless a shareholder indicates otherwise the voting rights attached to the shares represented by the enclosed form of proxy will be exercised in favour of the Rights Plan Resolution.**

### Background and Purposes of the Rights Plan

Before deciding to adopt the Rights Plan, the Board of Directors considered the current legislative framework in Canada governing take-over bids. Under provincial securities legislation, a take-over bid generally means an offer to acquire voting or equity voting shares of a corporation that, together with shares already owned by the bidder and certain parties related thereto, amount to 20% or more of the outstanding shares of that class.

The existing legislative framework for take-over bids in Canada presents the following concerns for shareholders:

#### Time

Current legislation permits a take-over bid to expire 35 days after it is initiated. The Board of Directors is of the view that this is not sufficient time to permit shareholders to adequately consider a take-over bid and make a reasoned and unhurried decision considering namely that the Corporation activities and competitors are spread out on two continents. Having adequate time to properly assess the merits of a bid is particularly important for the Corporation considering that it must establish, at all times, that it complies with foreign ownership regulations.

#### Pressure to Tender

A shareholder may feel compelled to tender his shares pursuant to a take-over bid which he considers to be inadequate, out of a concern that in failing to do so, the shareholder may be left with illiquid or minority discounted shares. The Rights Plan provides shareholders with a mechanism which is intended to ensure that they can separate the decision to tender, based on the merits of a bid, from the approval or disapproval of a particular take-over bid.

#### Unequal Treatment

Shareholders may not be treated equally if, as current securities legislation provides, an important number of shares is acquired pursuant to a private agreement in which a small group of shareholders or a shareholder disposes of its shares at a premium to market price, which premium is not shared with the other shareholders of the Corporation. In addition, a person may gradually accumulate shares through stock exchange acquisitions which results in an acquisition of control of the Corporation, without payment of fair value for control or a fair sharing of a control premium amongst all shareholders. The Rights Plan addresses these concerns by applying to all acquisitions of 20% or more of the common shares of the Corporation, ensuring that shareholders receive equal treatment.

### Recommendation of the Board of Directors

The Board of Directors has determined that the Rights Plan is in the interests of the Corporation and its shareholders and recommends that the holders of common shares vote in favour of the Rights Plan Resolution.

The purpose of the Rights Plan is to ensure equal treatment of shareholders and to give adequate time for shareholders to properly assess the merits of a bid without undue pressure, and to allow competing bids to emerge. The Rights Plan is designed to give the Board of Directors time to consider alternatives, allowing shareholders to receive full and fair value for their shares. The Rights Plan was not adopted by the Board of Directors in response to any acquisition proposal and is not designed to secure the continuance in office of the current management or the directors of the Corporation. The adoption of the Rights Plan does not in any way lessen the duties of the directors to fully and fairly examine all bids which may be made to acquire the shares of the Corporation and to exercise such duties with a view to the best interest of the shareholders of the Corporation.

The "Issue of Rights" (as defined in Schedule B) will not in any way adversely alter the financial condition of the Corporation. The issue is not of itself dilutive, will not affect reported earnings per share and will not change the way in which shareholders would otherwise trade their common shares. By permitting holders of Rights other than an "Acquiring Person" (as defined in Schedule B) to acquire additional securities of the Corporation at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the outstanding common shares other than by way of a "Permitted Bid" (as defined in Schedule B). A potential bidder can avoid the dilutive features of the Rights Plan by making competing bid structure options that conform to the requirements of a Permitted Bid.

To qualify as a Permitted Bid, a take-over bid must be made by means of a take-over-bid circular to all holders of common shares and **must be open for at least 60 days** after the bid is made. If more than 50% in aggregate of the outstanding common shares held by "Independent Shareholders" (as defined in Schedule B) are deposited or tendered pursuant to the bid and not withdrawn, the bidder may take up and pay for such shares. The bid must then remain open for a further period of at least ten business days.

The requirements of a Permitted Bid enable each shareholder to make two separate decisions. First, a shareholder will decide whether the bid or any competing bid is adequate on its own merits. Thereafter, a shareholder will decide to tender or not his shares. In making this decision, the shareholder should not be influenced by the likelihood that the bid will succeed. If there is sufficient support, for example if more than 50% in aggregate of the outstanding common shares held by Independent Shareholders have been tendered, a shareholder who has not already tendered to that bid or to a competing bid will have a further ten business days to decide whether to tender or not his shares.

In reaching the decision to implement the Rights Plan, the Board of Directors considered its duties and responsibilities to the Corporation and received the advice of its advisors. In addition, the Board of Directors reviewed the recent experiences of other Canadian public companies in adopting shareholders' rights plans and addressed important institutional investors and regulatory concerns with shareholders' rights plans.

### Amendments to the Existing Shareholders' Rights-Plan

The amendments made to the existing Shareholders' Rights Plan aim at maintaining the validity of the Rights Plan as a result of changes in laws or regulations.

### Summary

The terms of the Rights Plan are set out in an Amended and Restated Shareholder-Rights Plan (the "Rights Agreement") dated as of February 13, 2002 between the Corporation and Computershare Trust Company of Canada, as rights agent (the "Rights Agent"). The text of the Rights Agreement is available upon request, free of charge, from the Corporate Secretary or from Computershare Trust Company of Canada at the following addresses:

**TRANSAT A.T. INC.**  
300 Léo-Pariseau Street  
Suite 600  
Montréal, Québec  
H2W 2P6

**COMPUTERSHARE TRUST COMPANY OF CANADA**  
1800 McGill College Avenue, 7th Floor  
Montréal, Québec  
H3A 3K9

A summary of the principal terms of the Rights Plan is set forth in Schedule "B" to this Management Proxy Circular.

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## REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE

### Composition of the Committee

The Human Resources and Compensation Committee of the Board of Directors (referred hereinafter in this report as the “Committee”) is responsible for establishing the policy regarding the remuneration of senior management and organizational development, and for continuously supervising its implementation. The Committee makes recommendations regarding the remuneration of the executive officers, which recommendations are subject to approval by the Board of Directors.

The Committee is made up of Messrs. Jean Guertin (Chairman of the Committee), Jean-Marc Eustache, H. Clifford Hatch Jr. and John D. Thompson. Except for Mr. Eustache, none of the members of the Committee is currently employed by the Corporation or any of its subsidiaries or is a former executive officer or employee of the Corporation or any of its subsidiaries. None of the senior executives of the Corporation is a member of the Board of Directors of the corporations that employ Messrs. Jean Guertin, H. Clifford Hatch Jr. and John D. Thompson. Mr. Eustache withdraws from the meetings of the Committee when questions concerning him are discussed.

### Senior Management Compensation Policy

The Corporation’s senior management compensation policy is intended to align the senior executives’ total compensation with the Corporation’s values, objectives and business strategy, and to determine the amount of such compensation in accordance with the Corporation’s financial performance and the creation of added value for the shareholders. The specific goals of the policy are as follows:

- to attract and retain competent senior executives in order to ensure the long-term success of the Corporation and its subsidiaries;
- to motivate senior executives to meet and surpass the targeted performance objectives set by the Corporation; and
- to offer senior executives a total compensation set at the first quartile of the reference market when the performance objectives and the objectives with respect to the creation of added value for the shareholders are attained.

The policy consists in offering an aggregate compensation to senior management which is established through a comparison with a reference market of Canadian public corporations chosen on the basis of criteria such as the nature and complexity of their operations, their sectors of activities and the scope of their operating activities (Canada-wide and international). The Committee reviews the composition of the reference market as well as the Corporation’s positioning within this market from time to time to ensure that such reference market composition and positioning remain appropriate.

The total compensation of senior executives is comprised of the following items:

- compensation consisting of a base salary;
- a short-term incentive program in the form of an annual bonus;
- a long-term incentive program with two components: a stock option plan and a permanent stock ownership incentive plan;
- a perquisites program; and
- a benefits package, including a group insurance plan and retirement arrangements for senior executives.

The key elements of the total compensation of senior executives have been developed in accordance with the following principles:

**Base salary:** Senior executives’ positions in the Corporation and its subsidiaries are compared to other similar senior executives’ positions in corporations making up the reference market, and the salary data gathered are then analyzed to establish the median salaries\* in the market. The salary paid for each senior executive’s position aims to attain the median of the reference market.

**Short-term incentive program:** The annual bonus of senior executives is based on the Corporation’s performance in relation to a quantifiable financial performance measurement as well as objectives reflecting specific indicators (strategic or financial) applicable to the Corporation or a subsidiary of the Corporation, with the exception of the President and Chief Executive Officer whose annual bonus depends entirely on the Corporation’s performance in relation to a quantifiable consolidated financial performance measurement. The annual bonus for each senior executive’s position is established to slightly exceed the median of the reference market, with a potential to exceed this reference market.

The objective sought to be achieved by the application of the compensation principles described above is to provide a cash remuneration (base salary and annual bonus) in the 1st quartile of the reference market when the targeted performance objective is attained, with a potential to materially exceed the reference market when the stretch performance objective is attained.

\* “Median salary” means a salary set at the 50th percentile of the reference market.

**Long-term incentive program:** The long-term incentive program has the following two components:

- i. **Stock Option Plan:** The objective of the common stock option plan for directors, officers, and employees of the Corporation is to align part of the senior executive's compensation with the creation of added value for the shareholders. Subject to the approval of the Board of Directors, the President and Chief Executive Officer shall recommend to the Committee which executive officers are to be granted stock options as well as the aggregate number of options that may be granted.\*\*
- ii. **Permanent Stock Ownership Incentive Plan:** The Permanent Stock Ownership Incentive Plan is designed to promote the acquisition and holding by eligible senior executives of a significant block of the Corporation's common shares, in order to motivate them to create added value for shareholders and to help the Corporation retain these executives. Subject to participation in the Share Purchase Plan offered to all the Corporation's employees (by subscribing annually for a number of common shares, the total subscription price of which is equal to the maximum percentage of salary contributable under the plan), the Corporation will attribute annually to each eligible senior executive a number of common shares, the total subscription price of which shall be equal to the aforementioned maximum percentage of salary contributed. The common shares thus attributed by the Corporation will vest progressively to the eligible senior executive, subject to his retaining, during the vesting period, all the common shares subscribed for under the Corporation's Share Purchase Plan.\*\*\*

The objective of the long-term incentive program is to ensure a target compensation value that serves to position the total compensation (base salary, annual bonus, options and stock ownership) in the first quartile of the reference market when the targeted performance objective is reached, with the potential to exceed the reference market when the maximum performance objective is attained.

**Perquisites program:** The Perquisites program is designed to provide a certain degree of flexibility with regard to the specific personal and financial requirements of senior executives. The program provides for the allocation of a dollar value expressed as a percentage of base salary (varying according to the management position held), allowing a senior executive to benefit from certain perquisites chosen among a range of perquisites predetermined by the Corporation.

The objective of the Perquisites program is to ensure a target compensation value anchored to the median position of the reference market.

**Benefits package:** The benefits package is designed to provide adequate protection to senior executive and their families in the event of death, disability, illness, etc., including the implementation of retirement arrangements that provide for the payment to eligible senior executives of a retirement income based on a percentage of the senior executive's salary at the end of his or her career, determined on the basis of the number of years of service and a percentage of the senior executive's salary per year of service.

The objective in providing a benefits package is to ensure a target compensation value positioned at the median of the reference market.

The Committee reviews the senior management compensation policy from time to time, with the assistance of independent advisors, if necessary, in order to ensure that the Corporation meets the aforementioned objectives efficiently and that the policy remains competitive in relation to the reference market.

#### Compensation of the President and Chief Executive Officer

The aggregate compensation of the President and Chief Executive Officer is determined according to the same principles and objectives as those applicable to other members of senior management. Each component of the total compensation of the President and Chief Executive Officer is reviewed each year by the Committee, without the Chief Executive Officer being present, in accordance with the objectives and principles described in "Senior Management Compensation Policy".

#### Subsequent Events

Notwithstanding the policy described hereinabove which is a core element in human resource management for the whole Corporation, the major negative impact which the abrupt economic downturn (recession, etc.) together with the events of September 11, 2001 have had on the airline industry and on the leisure and holiday business, has caused the Corporation to make immediate changes in the management of its human resources and in the management of its total compensation policy as they pertain to Fiscal Year 2001 - 2002.

Accordingly, in addition to major reductions in its total labor force, the Corporation has proceeded to sizeable salary cuts in Canada for 2001 - 2002 for all of its executive, senior management personnel and directors (between 5% and 20%), combined with a salary freeze for all of its non-unionized personnel.

All incentive plans and other related compensation plans have also been impacted proportionately or further as the case may be.

All total compensation actions taken or under implementation within the Corporation are intended to be one time only and temporary in duration, thus requiring reevaluation as soon as circumstances will allow.

Submitted on behalf of the Human Resources and Compensation Committee by:

Jean Guertin, Chairman, Jean-Marc Eustache, H. Clifford Hatch Jr., John D. Thompson

\*\* See the heading entitled "Stock Option Plan" for a summary of the terms and conditions thereof.

\*\*\* See the heading entitled "Permanent Stock Ownership Incentive Plan" for a summary of the terms and conditions thereof.



## EXECUTIVE COMPENSATION

The total cash compensation paid to executive officers assuming policy-making functions within the Corporation and its subsidiaries in consideration of services rendered during the fiscal year ended October 31, 2001 was \$2,803,229.

### Summary Compensation Table

The following table sets forth the total compensation paid by the Corporation during each of the last three fiscal years to the President and Chief Executive Officer of the Corporation as well as to the four most highly compensated executive officers. The persons appearing in the table are hereinafter referred to as the "Named Executive Officers".

Name and Principal Occupation	Year	Annual Compensation			Long-Term Compensation ("LTIP")			
		Salary	Bonus <sup>(1)</sup>	Other Annual Compensation	Securities under Options Granted	Restricted shares or restricted share units <sup>(3)</sup>	LTIP Payouts	All other compensation
		(\$)	(\$)	(\$)	(#)	(\$)	(\$)	(\$)
<b>Jean-Marc Eustache</b> Chairman of the Board, President and Chief Executive Officer of the Corporation and President, Look Voyages S.A.	2001	535,000	—	(2)	54,040	51,437	—	—
	2000	485,000	346,472	(2)	61,705	49,021	—	—
	1999	455,000	409,500	(2)	70,543	47,959	—	—
<b>Philippe Sureau</b> Executive Vice-President of the Corporation	2001	305,000	—	(2)	20,641	29,318	—	—
	2000	290,000	122,377	(2)	24,720	29,309	—	—
	1999	280,000	184,800	(2)	29,085	29,518	—	—
<b>Lina De Cesare</b> Executive Vice-President, Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation and President, Tourbec (1979) Inc.	2001	286,000	—	(2)	19,356	27,475	—	—
	2000	265,000	111,062	(2)	22,589	26,782	—	—
	1999	242,000	159,720	(2)	25,138	25,512	—	—
<b>Cedric Pastour*</b> General Manager Look Voyages S.A.	2001	272,500	—	(2)	10,691	—	—	—
	2000	175,000	—	(2)	11,132	—	—	—
	1999 <sup>(a)</sup>	165,000	—	(2)	12,791	—	—	—
<b>Denis Jacob</b> President and Chief Executive Officer, Air Transat A.T. Inc.	2001	265,000	—	(2)	16,242	23,069	—	—
	2000	220,000	53,298	(2)	12,723	20,216	—	—
	1999	185,000	111,000	(2)	14,341	19,500	—	—

\* Compensation paid in French Francs. Conversion rates into Canadian dollars used are those of October 31 of each year.

(a) Hired on March 17, 1999; working on a full time basis as of November 1, 2000.

(1) Performance bonuses earned in a given year are paid out the following year.

(2) Ancillary benefits and other personal benefits are not included because they did not exceed the minimum thresholds stipulated for disclosure purposes.

(3) The value of the restricted shares or restricted share units allocated under the Permanent Stock Ownership Incentive Plan is computed by multiplying the number of shares attributed to each Named Executive Officer by the closing price of the Corporation's common shares on the Toronto Stock Exchange on the attribution date, namely, \$9.55 for 2001, \$7.00 for 2000, and \$7.35 for 1999.

### Stock Option Plan

On December 5, 1995, the Board of Directors adopted a common stock option plan for directors, officers and employees of the Corporation. The plan was amended on February 27, 1997. On May 11, 1999, the Corporation's Board of Directors further amended the stock option plan (the "Option Plan"), which amendments were ratified by the Corporation's shareholders on March 29, 2000.

The Option Plan enables the Corporation to grant stock options (the "Options") to eligible persons, at a price per share equal to the average weighted market price of the Corporation's common shares on The Toronto Stock Exchange for the five trading days preceding the granting of Options. As at October 31, 2001, a balance of 1,163,952 options remain available for granting. The Corporation's Board of Directors or, as the case may be, its Executive Committee, may determine, from time to time, in its entire discretion, the directors, officers and employees to whom Options will be granted, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the holders may purchase shares. The Options granted under the Option Plan expire ten years after the grant date or earlier if the option holder ceases to hold a position with the Corporation or any of its subsidiaries or if he or she dies.



### Options granted during the fiscal year ended October 31, 2001

The following table indicates the options that were granted during the last fiscal year to Named Executive Officers.

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Options Exercise Price (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiry Date
Jean-Marc Eustache	54,040	9.98%	9.90	10.35	May 11, 2011
Philippe Sureau	20,641	3.81%	9.90	10.35	May 11, 2011
Lina De Cesare	19,356	3.57%	9.90	10.35	May 11, 2011
Cédric Pastour	10,691	3.00%	9.90	10.35	May 11, 2011
Denis Jacob	16,242	1.97%	9.90	10.35	May 11, 2011

As at October 31, 2001, a total of 2,368,050 Options were issued and outstanding. During the fiscal year ended October 31, 2001, 300,460 Options were granted at \$9.90, 40,000 Options were granted at \$9.52, 30,000 Options were granted at \$8.93, 30,000 Options were granted at \$10.25 and 20,000 Options were granted at \$9.86 to holders other than the Named Executive Officers. Furthermore, Options representing 30,000 common shares at an exercise price of \$1.83 per share and 43,505 common shares at an exercise price of \$6.45 per share, 15,162 common shares at an exercise price of \$7.86 and 3,809 common shares at an exercise price of \$9.90 were exercised during the last fiscal year.

### Options exercised during the fiscal year ended October 31, 2001

The following table sets forth the Options exercised during the last fiscal year by the Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Fiscal Year-End		Value of Unexercised in-the-money Options at Fiscal Year-End <sup>(1)</sup> (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jean-Marc Eustache	0	—	175,609	100,679	—	—
Philippe Sureau	19,390	87,255	75,120	39,936	—	—
Lina De Cesare	0	—	90,740	36,343	—	—
Cédric Pastour	0	—	—	17,103	—	—
Denis Jacob	0	—	79,215	24,091	—	—

(1) The value of Unexercised in-the-money Options\* was calculated using the closing price of the Corporation's common shares on the Toronto Stock Exchange on October 31, 2001, (namely, \$4.70), less the exercise price of the in-the-money Options.

(\*NOTE: An option is regarded as being "in-the-money" at the close of the fiscal year if the market value of the underlying securities on that date is higher than the option exercise price.)

### Share Purchase Plan

On February 12, 1989, the Board of Directors of the Corporation implemented a share purchase plan with respect to the common shares of the Corporation for the benefit of employees and executives of the Corporation and its subsidiaries (the "Share Purchase Plan").

The purpose of the Share Purchase Plan is to enable employees of the Corporation and its subsidiaries to purchase common shares of the Corporation at the then current market price, less a ten percent (10%) discount, the payment of which may, at the option of the employees, be financed by the Corporation through interest-free loans reimbursed over no more than 52 weeks by means of withholdings made on their salaries. Should this be the case, the participant's shares will be kept by a trustee as security for the full reimbursement of the loan, and the trustee shall be entitled to sell the shares under certain circumstances. Should the employment be terminated, the participant be laid off, become disabled or die, or should any of the events more fully described in the Plan occur, the outstanding balance of the loan shall then become immediately due. A participant may not sell all or part of the common shares included in this Plan prior to the expiry of a one (1) year period from the date of issue of said shares.

The number of shares for which each participant may subscribe pursuant to the Share Purchase Plan shall not at any time exceed five percent (5%) of the number of issued and outstanding common shares of the Corporation. A participant shall refrain, throughout each subscription period, from subscribing for a number of shares, the aggregate subscription price of which represents more than ten percent (10%) of his or her gross annual salary in effect upon the subscription date.

The Share Purchase Plan with respect to common shares was amended on February 6, 2001, December 5, 1995, May 14, 1993 and May 22, 1992.

To meet increased employee demands to participate in the Plan, on February 6, 2001 the Board of Directors decided to raise the maximum number of common shares that may be issued pursuant to the Share Purchase Plan by 1,000,000, thereby increasing the maximum to 1,075,285 common shares.

This increase and the additional subscriptions were ratified by the Corporation's shareholders on March 28, 2001. As of October 31, 2001, the Corporation is authorized to issue up to 985,707 common shares under the Share Purchase Plan.

#### Permanent Stock Ownership Incentive Plan

On June 29, 1999, the Corporation's Board of Directors adopted a permanent stock ownership incentive plan (the "Stock Ownership Incentive Plan"). The Stock Ownership Incentive Plan is in effect for an initial term of five years. During this period, the Board of Directors may determine, from time to time and at its entire discretion, which senior executives are eligible to participate in the Stock Ownership Incentive Plan. Accordingly, subject to participation in the Share Purchase Plan with respect to common shares available to all the Corporation's employees (by subscribing annually for a number of common shares, the aggregate subscription price of which is equal to the maximum percentage of salary contributable under the plan), the Corporation will attribute annually to each eligible senior executive, a number of common shares the total market value of which is equal to the aforementioned maximum percentage of salary contributed. These shares are bought on the secondary market. A third of the common shares so attributed by the Corporation shall vest in the eligible senior executive on each anniversary date of the attribution, subject to the senior executive retaining on each such anniversary date all the common shares subscribed for under the Corporation's Share Purchase Plan. In the event that the eligible senior executive ceases to occupy his or her position or in the event that he or she dies, said senior executive or his or her assigns, as the case may be, shall become the owner of the attributed common shares that have vested on the date of his or her cessation of employment or on the date of his or her death. The common shares attributed by the Corporation do not confer any rights on the eligible senior executive prior to vesting.

#### Common shares granted during the fiscal year ended October 31, 2001

The following table indicates the common shares attributed during the last fiscal year to the Named Executive Officers.

Name	Securities, units or other rights <sup>(1)</sup>	Performance objective or other period to maturity or payment <sup>(2)</sup>	Projected future payments under a Plan not based on the price of the securities		
			Threshold	Target	Maximum
			(\$ or #)	(\$ or #)	(\$ or #)
<b>Jean-Marc Eustache</b>	5,358	February 26, 2004	N/A	N/A	N/A
<b>Philippe Sureau</b>	3,054	February 26, 2004	N/A	N/A	N/A
<b>Lina De Cesare</b>	2,862	February 26, 2004	N/A	N/A	N/A
<b>Cédric Pastour</b>	—	N/A	N/A	N/A	N/A
<b>Denis Jacob</b>	2,403	February 26, 2004	N/A	N/A	N/A

N/A: Not applicable.

(1) Common shares granted on February 26, 2001.

(2) Maturity date on which all the shares granted vest, subject to each executive officer having retained all the common shares subscribed for under the Corporation's Share Purchase Plan.

#### Retirement arrangements

The Corporation has entered into standard retirement agreements with certain Named Executive Officers (the "Participant") regarding a defined benefits retirement plan (the "Retirement Benefits Plan"), in order to provide the Participant with monthly retirement income for life. The standard retirement agreements came into effect on May 1, 1999 and were revised in April 2001.

The monthly retirement allowance to which the Participant is eligible throughout his lifetime under the terms of the Retirement Benefits Plan, upon turning 65, is one twelfth of 1.5 % multiplied by the number of eligible years of service\* and by the average eligible earnings\*\*, from which amount is to be subtracted an amount equal to one twelfth of the annual retirement benefit payable upon turning 65, which is the actuarial equivalent value of the amount accrued by the Participant, on the date of his or her retirement, in the Corporation's Pension Plan for non unionized employees (the "Pension Plan") consisting of a group registered retirement savings plan and of a deferred profit sharing plan and an amount equal to one twelfth of the amount representing the maximum annual retirement benefit payable upon turning 65 under the Québec Pension Plan, as determined on the Participant's retirement date multiplied by the number of eligible years of service and divided by 35.

The eligible earnings include the base salary and the target bonus. The annualized eligible earnings for 2001 are as follows:

<b>Jean-Marc Eustache</b>	\$723,550
<b>Philippe Sureau</b>	\$392,084
<b>Lina De Cesare</b>	\$357,504
<b>Denis Jacob</b>	\$307,520

\* The number of eligible years of service is the aggregate of the number of calendar years and portions of calendar years of service with the Corporation by the Participant after the date of coming into force of the standard retirement agreement, plus one third of the number of calendar years and portions of calendar years of service with the Corporation by the Participant before the date of coming into force of the standard retirement agreement.

\*\* The average eligible earnings are equal to the average of the Participant's five years of eligible service in which the aggregate of his or her base salary and target bonus under the Corporation's short-term incentive plan are the highest.

For the purpose of calculating their retirement allowances, on October 31, 2001, Mr. Jean-Marc Eustache had 9.26 recognized eligible years of service, Mr. Philippe Sureau, 9.26, Ms. Lina de Cesare, 8.55 and Mr. Denis Jacob, 5.73.

The following table indicates the estimated annual retirement allowances payable at retirement upon turning 65, to the Named Executive Officers, in respect of a specific amount of average eligible earnings and eligible years of service pursuant to the standard retirement agreement.

Average eligible earnings	Eligible years of service				
	15	20	25	30	35
<b>\$300,000</b>	\$67,500	\$90,000	\$112,500	\$135,000	\$157,500
<b>\$400,000</b>	\$90,000	\$120,000	\$150,000	\$180,000	\$210,000
<b>\$500,000</b>	\$112,500	\$150,000	\$187,500	\$225,000	\$262,500
<b>\$600,000</b>	\$135,000	\$180,000	\$225,000	\$270,000	\$315,000
<b>\$700,000</b>	\$157,500	\$210,000	\$262,500	\$315,000	\$367,500

The standard retirement agreement provides that the estimated annual retirement allowances indicated in the table above must be reduced by the following: (i) an amount equal to the annual retirement benefit payable upon reaching 65, which is the actuarial equivalent value of the amount accumulated by the Participant in the Pension Plan at the date of his retirement; and (ii) an amount equal to the maximum annual retirement benefit payable upon turning 65 under the Québec Pension Plan multiplied by the number of the Participant's eligible years of service divided by 35.

The Retirement Benefits Plan also contains the following terms and conditions:

- (i) unless the Participant gives prior written notice to the Corporation, the retirement allowance is payable on a monthly basis to the Participant throughout his or her lifetime, commencing the first day of the month that coincides with, or immediately follows, the date of his or her retirement and that ends on the first day of the month following the date of his or her death, and, in the event that the Participant dies within the first 120 months following the date of his retirement, monthly payments will continue to be made to the Participant's beneficiary until the 120 monthly payments are exhausted. In the event that the Participant gives such notice to the Corporation prior to the date of his or her retirement, the monthly payments may be made according to any other form of monthly payment usually available upon retirement and acceptable to the Corporation;
- (ii) the Participant may elect early retirement between the ages of 55 and 65. In the event that early retirement is taken before the Participant turns 60, the retirement allowance is reduced by 5/12% for every full month that the retirement was taken before the participant's 60th birthday. Where early retirement is taken between the ages of 60 and 65, no reduction applies to the retirement allowance;
- (iii) payment to the Participant of a retirement allowance is conditional on his or her continued and uninterrupted participation in the Pension Plan until the date of his or her retirement, at the prescribed contribution level required under the terms thereof;
- (iv) the cessation of the Participant's employment before the date of his or her retirement shall result in the issue by the Corporation of a certificate or promise of payment, when the Participant turns 65, of the retirement allowance in existence on the date of cessation of employment, except in the case of dismissal for cause or the Participant's interruption of his or her participation in the Pension Plan, which results in the automatic cancellation of the Participant's right to any retirement allowance pursuant to the standard retirement agreement.

On October 31, 2001, the amount of the estimated annual retirement allowances payable at the usual retirement age, namely 65, to the Named Executive Officers under the standard retirement agreements, without taking into account deductions of benefits payable pursuant to the Pension Plan and those payable under the Québec Pension Plan, is equal to \$100,501 for Mr. Jean-Marc Eustache, \$54,460 for Mr. Philippe Sureau, \$45,850 for Ms. Lina De Cesare, and \$26,431 for Mr. Denis Jacob.

### Employment/Change of Control Agreements

In December 1998, the Corporation entered into a standard agreement with certain of the Named Executive Officers in order to define the terms and conditions of termination of employment of said individuals in the event of an "unsolicited or hostile" take-over of the Corporation, as defined in such agreement. These standard agreements were entered into in order to ensure such senior executives would continue to adequately see to the best long-term interests of the Corporation. Hence, for a period of two years following a take-over of the Corporation, the standard agreement provides that, if the purchaser terminates the employment of the Named Executive Officer (otherwise than for cause, or in the event of the disability or death of the Named Executive Officer) or if the Named Executive Officer terminates his or her employment for a "sufficient reason" (as defined in the agreement), the Named Executive Officer will be entitled to the payment of a severance package following termination of his employment. The severance package is primarily composed of the following elements, depending on the position held by the Named Executive Officer:

- (i) a lump-sum amount equal to the base salary of the Named Executive Officer for a period of 18 or 24 months, plus one or two months for each full year of service, up to a maximum period of 24, 30 or 36 months; and
- (ii) a lump-sum amount equal to the target bonus applicable to his or her position for the period set out in (i) above.

The Named Executive Officer cannot draw any benefit from the agreement unless there is a take-over of the Corporation and termination of his or her employment occurs as described in the standard agreement prior to its expiry. The standard agreement also contains non-solicitation and non-competition undertakings that apply following cessation of employment. Accordingly, the Named Executive Officer undertakes to not solicit the Corporation's customers or employees for a period equal to the maximum severance period (24, 30 or 36 months) and to not enter into competition with the Corporation, namely not operate or participate in a business operating in the same sectors of activity, in any jurisdiction where the Corporation or one of its subsidiaries has a place of business, for a period equal to the minimum severance period (18 or 24 months).

The Corporation entered into a standard agreement with certain of the Named Executive Officers, the purpose of which is to determine the applicable terms and conditions of employment, specifically in the context of cessation of employment in circumstances other than those provided for in the event of an "unsolicited or hostile" take-over of the Corporation. The standard agreements were entered into in exchange for undertakings on the part of the Named Executive Officers that they would not solicit the Corporation's customers or employees and that they would not compete with the Corporation, as hereinafter described. The standard agreement stipulates that, should the Corporation terminate the employment of a Named Executive Officer (otherwise than for cause or further to his or her disability or death) or should the Named Executive Officer terminate his or her employment for a "sufficient reason" (as defined in the agreement), the Named Executive Officer would be entitled to the payment of a severance package following the cessation of employment. The severance package consists primarily of the following amounts, depending on the position held by the Named Executive Officer:

- (i) a lump sum equal to the base salary of the Named Executive Officer for a period of 12 or 18 months, plus one or two months per full year of service, up to a maximum of 18, 24 or 30 months; and
- (ii) a lump sum equal to the target bonus applicable to his or her position for the period determined in accordance with paragraph (i) hereinabove.

The Named Executive Officer undertakes to not solicit the Corporation's customers or employees for a period equal to the maximum severance period (18, 24 or 30 months) and to not enter into competition with the Corporation, namely not operate or participate in a business operating in the same sectors of activity, in any jurisdiction where the Corporation or one of its subsidiaries has a place of business, for a period equal to the minimum severance period (12 or 18 months).

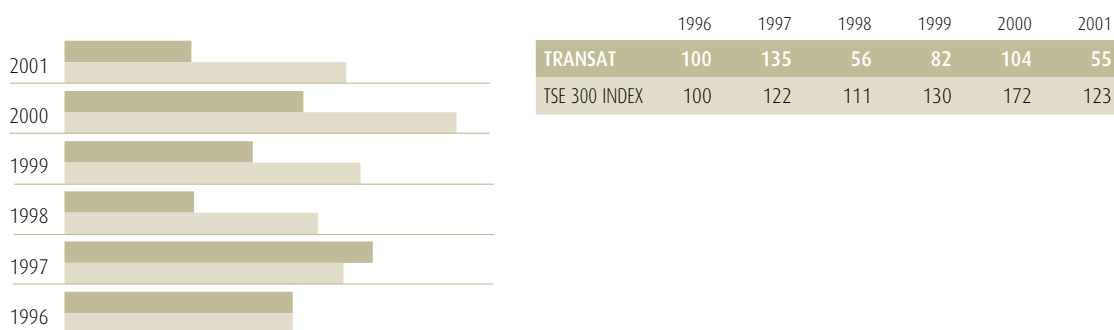
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### COMPENSATION OF DIRECTORS

Each director who is not employed by the Corporation or one of its subsidiaries receives annual fees of \$10,000 for his or her services, \$2,500 of which is payable in common shares of the Corporation. Every chairman of a committee of the Board of Directors receives annual fees of \$2,500 for his or her services. The Corporation also pays attendance fees of \$1,000 to each director who is not employed by the Corporation or one of its subsidiaries for Board or committee meetings attended by such director, unless the meeting is conducted by conference call, in which case the attendance fee is \$500. Every director who is not employed by the Corporation or one of its subsidiaries is entitled annually to a grant of stock options in accordance with the terms and conditions of the Corporation's Stock Option Plan. The annual fees as well as the attendance fees have been reduced by 20% following changes made to the global Compensation Policy for the fiscal year 2001-2002. On May 11, 2001, the Corporation granted to each director not employed by the Corporation or one of its subsidiaries, 1,212 stock options at an exercise price of \$9.90. Compensation in cash is paid quarterly.

## RETURN ON THE SHARES

The following graph compares the cumulative total return obtained on an investment of \$100 in the common shares of the Corporation made on October 31, 1996 to the cumulative total return of the TSE 300 Index of the Toronto Stock Exchange over the last five fiscal years.\*



The Corporation is part of the TSE 300 Composite Index (Transportation and Environmental Sub-Group) and the TSE 200 Index.

\* All prices of the Corporation's common shares are taken from the files of the Toronto Stock Exchange, and the results represent those of the last trade carried out on the Corporation's securities on the Toronto Stock Exchange, on October 31 of the year concerned.

## INDEBTEDNESS OF SENIOR EXECUTIVES

No director, senior executive or senior officer of the Corporation, or nominee for the position of director of the Corporation, is indebted to the Corporation or its subsidiaries or has contracted any loan that is secured by a security interest, a support agreement, a letter of credit or another similar arrangement on the part of the Corporation or any of its subsidiaries.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has taken out insurance at its own expense covering the liability of its directors and officers, in their capacities as directors and officers. This insurance was obtained pursuant to a policy, which also covers the directors and officers of the Corporation's subsidiaries, with the exception of Look Voyages S.A., which has purchased its own insurance.

For the fiscal year ended October 31, 2001, the Corporation's insurance policy provided a maximum coverage of \$20,000,000 per claim, subject to a deductible of \$50,000 payable by the Corporation. The maximum coverage of the insurance policy of the Corporation was increased to \$50,000,000 in November 2001. The premium paid under the policy for 12 months' coverage was \$74,000. The insurance policy of Look Voyages S.A. provided a maximum coverage of approximately 15 million Euros per claim, subject to a deductible of approximately 38,000 Euros for certain claims. The premium paid under the policy for 12 months' coverage was approximately 16,000 Euros. Neither the insurance premium nor the premiums paid distinguish between insurance covering the liability of the directors of the Corporation and the liability of its officers, the coverage being the same for both groups.

## CORPORATE GOVERNANCE

The Toronto Stock Exchange Committee on Corporate Governance in Canada published a report (the "TSE Report") setting out guidelines for good corporate governance in such matters as the composition and independence of members of boards of directors, the functions to be performed by such boards and their committees, and the effectiveness of and education provided to board members. To ensure the implementation of these guidelines, the Toronto Stock Exchange has adopted a guideline whereby a listed corporation must annually disclose to what extent its corporate governance practices conform with these guidelines.

To maintain high standards of good corporate governance in a constantly changing environment, corporate governance practices are periodically reviewed and assessed by the Corporate Governance Committee, which is currently comprised of three (3) outside and unrelated directors.

The following table offers a description of the Corporation's practices with respect to each of the 14 corporate governance guidelines of the Toronto Stock Exchange.

TSE Corporate Governance Guidelines	Comments
<p>1. The board of directors should explicitly assume responsibility for the stewardship of the corporation, and specifically assume responsibility for:</p>	
<p><b>(a) adoption of a strategic planning process</b></p>	<p>The Corporation complies with this guideline. The Board of Directors supervises and contributes to the strategic planning process and adopts outlines of the Corporation's strategic measures. In connection with this process, the Board of Directors expects the Corporation's management to assume responsibility for preparing and implementing the strategic orientation adopted by the Board of Directors. This strategic planning process includes, notably, financial planning of the business, investments, technology and staffing. The Board of Directors periodically reexamines and supervises implementation of the strategic plan throughout the year.</p>
<p><b>(b) identification of the principal risks and implementing risk management systems</b></p>	<p>The Corporation complies with this guideline. Through its Audit Committee, the Board of Directors identifies and evaluates the principal risk factors affecting the business of the Corporation, and approves strategies and systems proposed to manage such risks. Under these circumstances, decisions made by the Board of Directors seek to establish a balance between the principal risk factors affecting the business of the Corporation, and the potential return for shareholders.</p>
<p><b>(c) succession planning and supervising senior management</b></p>	<p>The Corporation complies with this guideline. Through its Human Resources and Compensation Committee, the Board of Directors reviews and contributes to the succession plans submitted by the President and Chief Executive Officer (CEO). It adopts and follows up on the performance objectives established for the CEO and members of senior management. (See Paragraph 8 below).</p>
<p><b>(d) communications policy</b></p>	<p>The Corporation complies with this guideline. In this respect, requests for information from shareholders and the financial community are initially sent to the Vice-President of Finance and Administration and Chief Financial Officer, and are dealt with thereby. Should a follow-up prove necessary, this officer coordinates the appropriate solution and monitors communications, thus ensuring the coherency of information disseminated with respect to the Corporation.</p>
<p><b>(e) integrity of internal control and management information systems</b></p>	<p>The Corporation complies with this guideline. Through its Audit Committee, the Board of Directors ensures that management adopts and maintains effective internal control and risk management systems.</p>

## 2. Unrelated directors

**(a) The majority of directors should be “unrelated” (independent of management and free from conflicting interest - see Note A)**

The Corporation complies with this guideline. Of the 13 directors comprising the Board of Directors, nine are outside and unrelated within the meaning of the TSE Guidelines, as they are neither members of senior management, employees of one of the Corporation’s subsidiaries nor persons with an interest or business relationship that could, or could be reasonably perceived to materially interfere with their ability to act in the best interests of the Corporation, other than interests or relationships arising from shareholding.

**(b) If the corporation has a significant shareholder, the board of directors should include a certain number of directors who do not have interests in or relationships with the significant shareholder - see Note B**

The Corporation complies with this guideline, since it has no significant shareholder within the meaning of the TSE Guidelines.

## 3. Disclose, for each director, whether he or she is “related” or “unrelated”, and how that conclusion was reached

The Corporation complies with this guideline. Mr. Jean-Marc Eustache (Chairman of the Board, CEO of the Corporation and President of Look Voyages S.A.), Ms. Lina De Cesare (Executive Vice-President - Tour Operators of the Corporation, President, Cameleon Hotel Management Corporation and President of Tourbec (1979) Inc., Mr. André Lévesque (Captain and Check Pilot, Airbus A-330, Air Transat A.T. Inc.) and Mr. Philippe Sureau (Executive Vice-President of the Corporation) are all inside and related directors.

Mr. André Bisson, Chancellor, Université de Montréal, is an outside and unrelated director.

Mr. Benoît Deschamps, Director of Corporations, is an outside and unrelated director.

Mr. Marcel Gagnon, Investments Director, Manufacturing Sector with CDP Capital d’Amérique, Caisse de dépôt et placement du Québec (CDPQ), is an outside and unrelated director. The Board is of the opinion that the agreements entered into between the Caisse de dépôt et placement du Québec (CDPQ) / or Capital d’Amérique and the Corporation do not interfere with Mr. Gagnon’s ability to act in the best interests of the Corporation.

Mr. Jean Guertin, Corporate Advisor and Honorary Professor at the École des Hautes Études Commerciales de Montréal, is an outside and unrelated director.

Mr. H. Clifford Hatch Jr., President and Chief Executive Officer of Aurdisyl Management Corporation, Cliffco Investments Limited and Equity Link Management Limited, is an outside and unrelated director.

Mr. Michel Lessard, President of Placements-Voyages Inc., and President, Club Voyages Air-Mer Inc., is an outside and unrelated director. The Board is of the opinion that the business relation between Placements-Voyages Inc., Club Voyages Air-Mer Inc. and the Corporation does not interfere with Mr. Lessard’s ability to act in the best interests of the Corporation.

Mr. Jacques Simoneau, Group Vice-President, Investments, Fonds de solidarité FTQ, is an outside and unrelated director. The Board is of the opinion that the agreements entered into between Fonds and the Corporation do not interfere with Mr. Simoneau’s ability to act in the best interests of the Corporation.

Mr. John D. Thompson, Deputy Chairman of the Board, Montréal Trust Company, is an outside and unrelated director.

Mr. Peter G. White, Executive Vice-President of Argus Corporation Limited, is an outside and unrelated director.



TSE Corporate Governance Guidelines	Comments
4. Nominees to the board of directors	
<b>(a) Appointment of a committee responsible for proposing new nominees to the board</b>	The Corporation complies with this guideline. The Corporate Governance Committee has the mandate to recommend nominees to the Corporation's Board of Directors. The Corporate Governance Committee examines the qualifications of all nominees, and has the authority to recommend candidates to fill any vacancy on the Board of Directors.
<b>(b) Composed exclusively of outside, non-management directors, a majority of whom are unrelated</b>	The Corporate Governance Committee is currently composed of three outside and unrelated directors, namely Mssrs. André Bisson, Benoît Deschamps and Michel Lessard, therefore the Corporation complies with this guideline. The Vice-President, General Counsel and Corporate Secretary of the Corporation has coordinated the activities of this Committee, which meets at least twice a year or more, as needed.
5. Implementation of a process for assessing the effectiveness of the board of directors, its committees and individual directors	The Corporation complies substantially with this guideline. The Board of Directors is of the opinion that it performs its duties effectively. The Corporation has not, to date, deemed that a formal process need be carried out to assess the effectiveness of the Board of Directors, its committees or the contributions of its individual directors. However, the members of the Corporate Governance Committee discuss regularly and informally the performance of the Board of Directors.
6. Providing orientation and education programs for new directors	The Corporation complies with this guideline. Reports and other documents regarding the business and affairs of the Corporation and its subsidiaries are given to new directors. Meetings of the Board of Directors are generally held at the principal place of business of the Corporation, although on occasion they are also held at the head office of some of its subsidiaries, such as in Toronto or at Look Voyages S.A. in France, thereby giving directors the further opportunity to familiarize themselves with the operating activities of the Corporation and its subsidiaries.
7. Consider reducing the size of the board of directors, with a view to improving effectiveness, where necessary	The Corporation is of the opinion that its size affords a diversity of opinions and experience, while being modest enough to efficiently perform its duties. The Board of Directors provides the Corporation with a vast pool of knowledge with which to guide its strategy and operations.
8. Review of the compensation of its directors in light of risks and responsibilities	<p>The Human Resources and Compensation Committee examines and revises the compensation of directors in order to ensure that it realistically reflects the duties and responsibilities inherent to the position of director. The Committee makes its recommendations regarding such matters to the Board of Directors. Furthermore, the Human Resources and Compensation Committee ensures that the Corporation abides by information disclosure rules enacted by securities authorities in Canada with respect to compensation. The Human Resources and Compensation Committee is currently composed of three outside and unrelated directors, namely Mssrs. H. Clifford Hatch Jr., Jean Guertin and John D. Thompson, as well as one inside and related director, Mr. Jean-Marc Eustache. Mr. Guertin coordinates the activities of this Committee.</p> <p>The Human Resources and Compensation Committee meets at least three times a year or more, as needed, and is also responsible for establishing and setting up senior management compensation policies.</p>

9. Composition of committees	The Corporation partially complies with this guideline. The Board of Directors created four committees, which it has charged with specific duties and powers necessary to help them assume their responsibilities efficiently.
(a) Committees should generally be composed of non-management directors	<p>The Executive Committee is currently composed of four members, two of whom are inside and related directors, namely Mssrs. Jean-Marc Eustache and Philippe Sureau, and two of whom are outside and unrelated directors, namely Mssrs. Benoît Deschamps and Jean Guertin.</p> <p>The CEO coordinates the activities of this Committee. Although the TSE Guidelines stipulate that the executive committee should generally be composed of outside directors, a majority of whom being unrelated, the Guidelines do acknowledge that the committee can include inside directors. Hence, the Corporation considers that the two internal and related directors who are members of the Executive Committee are able to act and do, in actual fact, act in the best interests of the Corporation and its shareholders. The very nature of the Corporation's activities makes it appropriate to staff the Executive Committee with members who are evolving or have evolved within all areas of the travel industry (travel agents, tour operators and air carriers). The Executive Committee meets at least three times a year or more, as needed, and its role is to act between meetings of the Board of Directors, in the place and stead thereof. The Executive Committee is vested with all powers of the Board of Directors, subject, however, to the provisions of the Canada Business Corporations Act R.S.C. (1985), c. C-44 as same may be amended from time to time. Members of the Executive Committee specifically ensure that corporate objectives set out by the Corporation in its strategic plan are met, review monthly financial statements and discuss budget variances.</p>
(b) The majority of committee members should be unrelated	The Audit Committee (see Subparagraph 13 (a) below), is composed of three outside and unrelated directors, namely Mssrs. André Bisson, Benoît Deschamps and John D. Thompson, whereas the Human Resources and Compensation Committee (see Paragraph 8 above), is currently composed of three outside and unrelated directors, and one inside and related director. As for the Corporate Governance Committee, it is currently composed of three outside and unrelated directors, namely Mssrs. André Bisson, Benoît Deschamps and Michel Lessard. (See introductory paragraph and Paragraph 10 below.)
10. Responsibility for the approach to corporate governance issues	The Corporation complies with this guideline. The Corporate Governance Committee is charged with developing policies and implementing procedures related to corporate governance issues. This Committee, amongst other things, reviews the mandates of the Board of Directors and its committees, and recommends the approval of corporate governance policies. It also recommends Board of Directors' nominees, and ensures that the Corporation complies with all information disclosure rules enacted by the TSE and Canadian securities commissions regarding corporate governance.
11. Define limits to management's responsibilities and develop corporate objectives which the CEO is responsible for meeting	The Corporation complies partially with this guideline. The Corporation has created four committees (Executive Committee, Audit Committee, Human Resources and Compensation Committee and Corporate Governance Committee) which it has entrusted and vested with specific duties and powers to help the Board of Directors assume its responsibilities efficiently. Moreover, although the Corporation has not established any formal policy limiting management's responsibilities, it is common practice for management to submit any material or falling outside the normal course of business issues to the Board of Directors. The Board of Directors had 15 meetings during the year terminated on October 31, 2001. The Human Resources and Compensation Committee is responsible for evaluating the performance of the CEO, and together they develop corporate objectives which the CEO is expected to meet.

<p>12. Establish structures and procedures to enable the board of directors to function independently of management</p>	<p>Mr. Jean-Marc Eustache serves both as Chairman of the Board and CEO of the Corporation, given that he is the founder of the Corporation and is involved in management of the day-to-day operations thereof. At this time, the Board of Directors has no intention of separating the duties of Chairman and CEO. The Board is of the opinion that it can function independently without going so far as to separate these duties, seeing as it is composed of a majority of outside and unrelated directors, and that three Board committees, more specifically the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance Committee, actively ensure that the Board carries out its duties. Mr. Eustache is not a member of any of these committees, with the exception of the Human Resources and Compensation Committee. The Corporation therefore believes that it substantially complies with this guideline, especially as outside directors have direct and unlimited access to all members of senior management as well as to the external auditors of the Corporation, and can meet as needed without inside directors or without management. Where applicable, the Board can authorize individual directors to retain the services of an outside advisor at the Corporation's expense.</p>
<p>13. The audit committee should be composed only of outside directors</p>	<p>The Corporation complies with this guideline since, as mentioned previously, the Audit Committee is entirely composed of outside and unrelated directors. The Audit Committee meets at least four times a year, more when necessary, and maintains relations with the external auditors of the Corporation, meeting with them annually without management being present. The Vice-President, Finance and Administration and Chief Financial Officer coordinates the activities of this Committee, which reviews the Corporation's quarterly and annual financial statements, along with any other financial document requiring public disclosure, and ensures that the Corporation disposes of accounting systems that specifically allow it to draw up financial statements in accordance with generally accepted accounting principles.</p>
<p>14. Implement a system to enable a director to retain the services of an outside advisor at the expense of the corporation</p>	<p>The Corporation partially complies with this guideline. Although no particular system has been implemented to enable an individual director to retain the services of an outside advisor at the expense of the Corporation, committees have had access to outside consultants at the expense of the Corporation, where necessary. As mentioned above, the Board may, where required, authorize individual directors to retain the services of an outside advisor at the expense of the Corporation.</p> <p><b>NOTE A:</b> Within the meaning of the TSE Report, an "unrelated" director is a director who is independent from management and who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the corporation, other than interests or relationships arising from shareholding. An outside director is a director who is neither an officer or employee of the corporation or one of its subsidiaries.</p> <p><b>NOTE B:</b> The TSE Guidelines define a "significant shareholder" as a shareholder with the ability to exercise a majority of the votes for the election of the board of directors. No shareholder exercises the majority of the votes for the election of the Board of Directors.</p>

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## **ADDITIONAL DOCUMENTS**

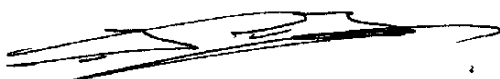
The Corporation is a reporting issuer in the various provinces of Canada and is required to file its financial statements and Management Proxy Circular with each of the securities commissions of these provinces. The Corporation also files an annual information form yearly with the same commissions. Copies of the annual information form, the proxy circular and the financial statements may be obtained upon request made to the Corporate Secretary. The Corporation may charge a reasonable fee if the request is made by a person who is not a shareholder of the Corporation, unless the Corporation is in the course of a distribution of its securities pursuant to a short-form prospectus, in which case these documents will be provided free of charge.

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## **APPROVAL OF THE MANAGEMENT PROXY CIRCULAR**

The content and the sending of this Management Proxy Circular have been approved by the directors of the Corporation.

Montréal, February 22, 2002  
BY ORDER OF THE BOARD OF DIRECTORS



Bernard Bussièrès (signed)  
Vice-President, General Counsel and Corporate Secretary

Transat A.T. Inc.  
Schedule "A"  
2002



BE IT RESOLVED:

THAT the Amended and Restated Shareholders' Subscription-Rights Plan entered into between the Corporation and Computershare Trust Company of Canada initially adopted by the Board of Directors of the Corporation on February 3, 1999, ratified by the Shareholders on March 24, 1999 and adopted and renewed on February 13, 2002, the whole as described in the Management Proxy Circular attached hereto be ratified;

THAT any officer or director of the Corporation be and is hereby authorized to execute and deliver such documents and instruments and to take such other actions as such officer or director may deem necessary or advisable to give effect to this resolution in his entire discretion, his determination being conclusively evidence by the execution and delivery of such documents or instruments and the taking of such actions.



## Summary of the rights plan

### Term

The Rights Plan and the Rights will terminate at the close of the annual meeting of shareholders of the Corporation to be held in 2005, unless it is terminated prior to such meeting.

### Issue of Rights

In order to implement the Rights Plan, the Board of Directors authorized the Corporation to issue one right in respect of each common share outstanding as of 5 p.m. (Montréal time) on February 20, 2002 (the "Effective Date"). One Right will also be issued and attached to each subsequently issued common share.

### Rights-Exercise Privilege

The Rights will be separate from the shares to which they are attached and will become exercisable at the time (the "Separation Time") that is ten business days after the earlier of: (i) the first date of public announcement that an "Acquiring Person" (as defined below) has become such; (ii) the date of commencement of, or first public announcement in respect of, a take-over bid which will permit an offeror to hold 20% or more of the common shares of the Corporation, other than by an acquisition pursuant to a take-over bid permitted by the Rights Plan (a "Permitted Bid" or a "Competing Permitted Bid", as defined below); (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid; or (iv) such other date as may be determined in good faith by the Board of Directors.

The acquisition permitting a person (an "Acquiring Person"), including others acting jointly or in concert with such person, to hold 20% or more of the outstanding common shares, other than by way of a Permitted Bid or a Competing Permitted Bid, is referred to as a "Flip-in Event". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement (the "Stock Acquisition Date") by the Corporation or an Acquiring Person that an Acquiring Person has become such, will become null and void upon the occurrence of a Flip-in Event. Ten trading days after the occurrence of the Stock Acquisition Date, each Right (other than those held by the Acquiring Person) will permit the holder to purchase for the exercise price, that number of common shares determined as follows: a value of twice the exercise price divided by the average weighted market price for the last 20 trading days preceding the Stock Acquisition Date. The exercise price is currently \$100 per Right, subject to adjustment in accordance with the Rights Plan.

To the knowledge of the senior executives of the Corporation, as of the date hereof, no natural or legal person owns or owned 20% or more of the common shares of the Corporation.

The Issue of Rights is not initially dilutive. Upon the occurrence of a Flip-in Event and the separation of the Rights from the attached shares, reported earnings per share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

### Lock-Up Agreements

A bidder may enter into lock-up agreements with the shareholders of the Corporation whereby such shareholders agree to tender their common shares to the take-over bid (the "Subject Bid") without a Flip-in Event occurring. Any such agreement must permit the shareholder to withdraw the common shares to tender to another take-over bid or to support another transaction that exceeds the value of the Subject Bid.

### Certificates and Transferability

Prior to the Separation Time, the Rights will be evidenced by a legend imprinted on certificates for common shares issued after the Effective Date. Rights are also attached to shares outstanding on the Effective Date, although share certificates will not bear such a legend. Prior to the Separation Time, Rights will not be transferable separately from the attached shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the shares.

### Permitted-Bid Requirements

A “Permitted Bid” is a take-over bid that does not trigger the exercise of Rights. A “Permitted Bid” is a bid that aims to acquire common shares which, together with the other securities beneficially owned by the bidder, represent not less than 20% of the outstanding common shares, which bid is made by means of a take-over-bid circular and satisfies the following requirements:

- (i) The bid must be made to all holders of common shares;
- (ii) The bid must include a condition without reservation providing that no common share tendered pursuant to the bid will be taken up prior to the expiry of a period of not less than 60 days and only if at such date more than 50% in aggregate of the outstanding common shares held by the shareholders other than the bidder, its associates and affiliates, and persons acting jointly or in concert with such persons (the “Independent Shareholders”) have been tendered pursuant to the bid and not withdrawn;
- (iii) The bid must include a condition to the effect that the common shares may be tendered pursuant to the bid, unless the bid is withdrawn, at all times during the bid period and that all the common shares tendered may be withdrawn until they are taken up and paid for; and
- (iv) If more than 50% in aggregate of the common shares held by Independent Shareholders are tendered to the bid within the 60-day period, the bidder must make a public announcement of that fact and the bid must remain open for deposits of common shares for an additional 10 business days from the date of such public announcement.

The Rights Plan allows a competing Permitted Bid (a “Competing Permitted Bid”) to be made while a Permitted Bid is in existence. A Competing Permitted Bid is a take-over bid that is initiated while a Permitted Bid is outstanding and that satisfies all the requirements of a Permitted Bid except that it may expire on the latest of the following date; (i) on the same date as the Permitted Bid; or (ii) 35 days after the launch of such Competing Permitted Bid. The reduction of the time allotted for the acceptance of a Competing Permitted Bid is intended to permit, to the extent that is afforded by such reduction, that all take-over bids on which the shareholders of the Corporation must decide may be considered during the same prescribed time.

### Waiver and Redemptions

The Board of Directors acting in good faith may, prior to a Flip-in Event, waive the dilutive effects of the Rights Plan in respect of a particular Flip-in Event that would result from a takeover bid made by way of takeover bid circular to all holders of common shares, in which event such waiver would be deemed also to be a waiver in respect of any other Flip-in Event. The Board of Directors may also waive the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding common shares within 14 days or any other period that may be specified by the Board of Directors. At any time prior to the occurrence of a Flip-in Event, the Board of Directors may, subject to the prior approval of the holders of common shares, elect to redeem all, but not less than all, of the outstanding Rights at a price of \$0.0001 per right.

### Exemption for Investment Managers

Investment managers (for client accounts), trust companies and pension funds (acting in their capacity as trustees and administrators) acquiring shares permitting them to hold 20% or more of the common shares are exempt from triggering a Flip-in Event, provided that they are not making, or are not part of a group making, a take-over bid.



### Supplements and Amendments

The Corporation is authorized to make amendments to the Rights Plan to correct any clerical or typographical error or to maintain the validity of the Rights Plan as a result of changes in laws or regulations. Prior to the Meeting, the Corporation is authorized to amend or supplement the Rights Plan as the Board of Directors may in good faith deem necessary or advisable. The Corporation will issue a press release relating to any material amendment made to the Rights Plan prior to the Meeting and will advise the shareholders of any such amendment at the Meeting. Material amendments or supplements to the Rights Plan will require, subject to the regulatory authorities, the prior approval of the shareholders or, after the Separation Time, holders of Rights.

### CANADIAN INCOME-TAX CONSEQUENCES OF THE RIGHTS PLAN

Under the Income Tax Act (Canada) (the "Tax Act"), while the matter may be debated, the issue of the Rights under the Rights Plan may be a taxable benefit which must be included in the income of a recipient. However, no amount need to be included in income if the Rights do not have a monetary value at the date of issue. The Corporation considers that the Rights, when issued, will have negligible monetary value, there being only a remote possibility that the Rights will ever be exercised. The Rights will be considered to have been acquired at no cost. The holder of Rights may have income or be subject to withholding tax under the Tax Act if the Rights become exercisable, are exercised or are otherwise disposed of.

The information provided above is of a general nature and is not intended to constitute, nor should it be construed as, legal or tax advice to any particular holder of common shares. Such holders are advised to consult their own tax advisors regarding the consequences of acquiring, holding, exercising or otherwise disposing of their Rights, taking into account their own particular circumstances and applicable federal, provincial, territorial or foreign legislation.

### ELIGIBILITY FOR INVESTMENT IN CANADA

Provided that the Corporation remains a "public corporation" for purposes of the Tax Act at all material times, the Rights will be qualified investments under the Tax Act for Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plan and Deferred Profit Sharing Plans. The Issue of Rights will not affect the status under the Tax Act of the common shares for such purposes, nor will it affect the eligibility of such securities as investments for investors subject to certain Canadian and provincial legislation governing insurance companies, trust companies, loan companies and pension plans.