TRANSAT A.T. INC.

Notice of Meeting and Management Proxy Circular
in respect of the

2014 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD AT MCGILL UNIVERSITY'S NEW RESIDENCE HALL, 3625 AVENUE DU PARC, DU PARC ROOM, LEVEL C, MONTRÉAL, QUÉBEC, CANADA, H2X 3P8

On March 13, 2014 at 10:00 a.m. (Eastern Time)

January 13, 2014

WHAT'S INSIDE THIS MANAGEMENT PROXY CIRCULAR

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NOTICE OF THE 2014 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting of the holders of Class A variable voting shares and Class B voting shares (collectively, the "Voting Shares") of Transat A.T. Inc. (the **"Corporation"** or **"Transat"** or the terms **"we," "us", "our"** and **"ours"** also refer to Transat A.T. Inc. and to one or more of its subsidiaries, or to Transat A.T. Inc. alone, depending on the context) will be held at McGill's University New Residence Hall, 3625 Avenue du Parc, du Parc Room, level C, Montréal, Québec, Canada, H2X 3P8, **on March 13, 2014 at 10:00 a.m. (Eastern Time)** (the "**Meeting**"), for the following purposes:

1. To receive the financial statements of the Corporation for the year ended October 31, 2013 and the auditors' report thereon;
2. To elect the directors;
3. To appoint the auditors for the ensuing year and to authorize the Board of Directors to determine their remuneration;
4. To consider and, if deemed appropriate, adopt a resolution, as set out in Schedule B to this Management Proxy Circular, ratifying the amendments and the renewal of the 2014 Shareholder Rights Plan which has been continually in force since 1999 and which was renewed by the Corporation on February 12, 2002, March 15, 2005, January 16, 2008, January 12, 2011 and December 11, 2013;
5. To consider and approve, in an advisory, non-binding capacity, a resolution, as set out in Schedule C to this Management Proxy Circular, regarding the Corporation's approach to executive compensation; and
6. To transact any other business that may properly come before the Meeting or any adjournment thereof.

We invite you to read the information provided in the Circular about the above-mentioned items. It is important that you exercise your vote, either in person at the Meeting or by completing and returning the proxy form. This Meeting gives you the opportunity to ask questions and meet with our management and Board of Directors as well as your fellow shareholders. At the Meeting, the Corporation will also report on its activities during the year ended October 31, 2013. **This Circular is furnished in connection with the solicitation, by the management of Transat, of proxies for use at the Meeting of the holders of Voting Shares of Transat.**

If you have any questions or require assistance with voting your shares by proxy, please contact our Proxy Solicitation Agent, CST Phoenix Advisors toll free at 1-866-822-1239 or by email at inquiries@phoenixadvisorscst.com.

Made at Montréal, Québec, on January 13, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

Transat A.T. Inc.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

In order that the greatest possible number of Voting Shares may be represented and voted at the Meeting, registered shareholders who are unable to attend the Meeting should return their duly completed proxies to our transfer agent, CST Trust Company ("CST"), before 5:00 p.m. (Eastern Time), Tuesday, March 11, 2014 or, in the event that the Meeting is adjourned or postponed, by no later than 5:00 p.m. (Eastern Time) two business days prior to the day fixed for the adjourned or postponed Meeting. The enclosed form of proxy must be completed, dated, signed and transmitted to CST before the above-mentioned date and time either (i) by MAIL in the enclosed prepaid envelope provided for that purpose; (ii) by FAX at (416) 368-2502, Attention: Proxy Unit; or (iii) by PERSONAL DELIVERY at 320 Bay Street, Level B1, Toronto, Ontario, M5H 4A6, Attention: Proxy Unit, or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit. Please refer to the annexed Circular for details. If you are not a registered shareholder (i.e., if your Voting Shares are held through a bank, trust company, securities broker or other nominee), please refer to the sections entitled "How can a Non-Registered Shareholder Vote?" and "How can a Non-Registered Shareholder Vote in Person at the Meeting?" in the Circular, which

explain how to vote your shares. The deadline for the deposit of proxies may be postponed by the chair of the Meeting at his or her sole discretion without notice.

MANAGEMENT PROXY CIRCULAR

INFORMATION REGARDING THE MEETING

To ensure representation of your shares at the Annual and Special Meeting of the holders of Class A variable voting shares (the "**Variable Voting Shares**") and Class B voting shares (the "**Voting Shares**" and collectively with the Variable Voting Shares, the "**Voting Shares**") of Transat A.T. Inc. (the **"Corporation"** or **"Transat"** or the terms **"we," "us", "our"** and **"ours"** also refer to Transat A.T. Inc. and to one or more of its subsidiaries, or to Transat A.T. Inc. alone, depending on the context) (the "**Meeting**"), please select the most convenient way for you to express your voting instructions (by fax, by mail, on the Internet, by phone or in person) and follow the relevant instructions. Unless otherwise indicated, the information included herein is given as of January 13, 2014. In this Circular, any mention of "dollars" or "$" refers to Canadian dollars, unless otherwise indicated. The following questions and answers provide guidance on how to vote your shares.

YOUR QUESTIONS AND OUR ANSWERS ON PROXY VOTING

1. Q: WHO IS SOLICITING MY PROXY?

A: The management of Transat is soliciting your proxy for use at the annual and special Meeting scheduled to be held at McGill University's New Residence Hall, 3625 Avenue du Parc, du Parc Room, level C, Montréal, Québec, Canada, H2X 3P8, on Thursday, March 13, 2014 at 10:00 a.m. (Eastern Time).

2. Q: WHAT WILL I BE VOTING ON?

A: You will be voting on the following items:

(i) the election of each of the directors of Transat;

(ii) the appointment of Ernst & Young s.r.l./S.E.N.C.R.L. ("**EY**") as Transat's auditors;

(iii) the consideration and, if deemed appropriate, the adoption of the resolution set forth in Schedule B to this Management Proxy Circular in order to ratify the renewal of the Shareholder Rights Plan which has been continually in force since 1999 and which was renewed by the Corporation on February 12, 2002, March 15, 2005, January 16, 2008, January 12, 2011 and December 11, 2013;

(iv) the consideration and approval, in an advisory, non-binding capacity, of a resolution, as set out in Schedule C of this Management Proxy Circular, in respect of the Corporation's approach to executive compensation; and

(v) any other business which may properly come before the Meeting or any adjournment thereof.

3. Q: HOW WILL THESE MATTERS BE DECIDED AT THE MEETING?

A: The election of each of the directors, the appointment of the auditors, the resolution regarding the approach to executive compensation and the resolution ratifying the 2014 Shareholder Rights Plan must be approved by a majority of the votes cast by all of our shareholders present or represented by proxy at the Meeting.

4. Q: WHAT ARE THE RESTRICTIONS ON OWNERSHIP OF MY VOTING SHARES?

A: The Articles of the Corporation include restrictions on the ownership and control of Voting Shares of the Corporation. The following is a summary of the restrictions set forth in our Articles.

Pursuant to the *Canada Transportation Act*, S.C. 1996, c. 10 (the "***Canada Transportation Act***"), Air Transat A.T. Inc. ("**Air Transat**"), a wholly owned subsidiary of the Corporation, must at all times be in a position to establish that it is "Canadian" within the meaning of such act (hereinafter, a "**Qualified Canadian**") in order to hold the licences necessary to operate an air service. Because Air Transat is a wholly owned subsidiary of Transat, Transat must qualify as "Canadian" in order for Air Transat to qualify as "Canadian". Currently, we must ensure that no more than 25% of voting rights attached to our shares are owned or controlled by non-Canadians.

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

The holders of Voting Shares and Variable Voting Shares vote together at the Meeting, except if the holders of a given class are entitled to vote as a class, as provided in the *Canada Business Corporations Act*. Only votes attached to Voting Shares represented by shareholders present in person or represented by proxy at a meeting and legally entitled to be voted thereat can be exercised or cast at such meeting.

Pursuant to its powers under Transat by-law no. 1999-1 and the regulations under the *Canada Business Corporations Act*, and in accordance with the provisions of our Articles and the *Canada Transportation Act*, the Board of Directors of Transat (the "**Board of Directors**" or the "**Board**") has implemented a series of administrative measures to ensure that the Voting Shares are owned and controlled by Canadians and the Variable Voting Shares are owned or controlled by non-Canadians at all times (the "**Ownership Restrictions**"). The measures are notably reflected in the forms of declaration of ownership and control. Shareholders who wish to vote at the Meeting either by: (i) completing and delivering a proxy form or a voting instruction form, or (ii) by attending and voting in person at the Meeting, will be required to complete a declaration of ownership and control in order to enable Transat to comply with the Ownership Restrictions. If you do not duly complete such declaration or if it is determined by Transat or its transfer agent, CST Trust Company ("**CST**"), that you indicated (through inadvertence or otherwise) that you owned or controlled the wrong class of shares, the automatic conversion provided for in our Articles shall be triggered. Where a statement made in a declaration appears inconsistent with the knowledge of Transat (through inadvertence or otherwise), we may take any action that we deem appropriate with a view to ensure compliance with the Ownership Restrictions. Further, if a declaration is not duly completed, executed and delivered to Transat through its transfer agent, CST, the vote attached to such declarant's Voting Shares will not be tabulated. Such declaration is contained in the accompanying form of proxy (or in the voting instruction form provided to you if you are a non-registered shareholder).

Please note that certain legislative amendments concerning the current restrictions on foreign investment contained in the *Investment Canada Act* and the *Canada Transportation Act* are currently being examined. The proposed amendments include a possible increase from 25% to 49% in the limit applicable to foreign investments in Canadian airlines through bilateral negotiations with Canada's trading partners.

On December 18, 2013, the Corporation obtained a conditional exemption from the Autorité des marchés financiers and the Ontario Securities Commission which had the effect of ensuring that the outstanding Class A Variable Voting Shares and the outstanding Class B Voting Shares of the Corporation will be considered as a single class of shares for the application of the take-over bid rules and early warning reporting rules, as contained under Canadian securities laws. However, the exemption will become effective immediately and only upon shareholders approval of proposed related amendments to the Corporation's Shareholder Rights Plan, which the Corporation will seek at its annual and special meeting of shareholders to be held on March 13, 2014. A copy of the decision is available under Transat's profile at www.sedar.com.

5. **Q: HOW MANY SHARES CARRY VOTING RIGHTS AND MANY VOTES DO I HAVE?**

A: As at January 13, 2014, a total of 1,111,888 Class A Variable Voting Shares and of 37,493,255 Class B Voting Shares of the share capital of Transat were issued and outstanding. You are entitled to receive notice of, and vote at the Meeting or at any adjournment thereof if you were a holder of Voting Shares on January 13, 2014, the record date for the Meeting.

The Variable Voting Shares may only be owned or controlled by persons who are not Canadians within the meaning of the *Canada Transportation Act*. The Variable Voting Shares carry one vote per share held, except where (i) the number of issued and outstanding Variable Voting Shares exceeds 25% of the total number of issued and outstanding Class A Variable Voting Shares and Class B Voting Shares (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*), or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting exceeds 25% (or any greater percentage that the Governor in Council may specify pursuant to the *Canada Transportation Act*) of the total number of votes that may be cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the number of votes attached to each Variable Voting Share will decrease proportionally such that (i) the Variable Voting Shares as a class do not carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Voting Shares of Transat and (ii) the total number of votes cast by or on behalf of holders of Variable Voting Shares at any meeting does not exceed 25% of the votes that may be cast at such meeting.

The Class B Voting Shares may only be owned and controlled by Canadians within the meaning of the *Canada Transportation Act*. Each Voting Share carries one vote.

6. **Q: WHO ARE OUR PRINCIPAL SHAREHOLDERS?**

A: To the knowledge of our directors and officers, and based on publicly available information, as at January 13, 2014, the only persons who beneficially own or exercise control or direction over 10% or more of the outstanding Class B Voting Shares are:

(i) **Letko Brosseau**, which held 5,531,882 Class B Voting Shares representing approximately 14.7% of all issued and outstanding Class B Voting Shares (or 14.3% on a combined basis); and

(ii) **Fonds de solidarité FTQ**, which held 4,888,117 Class B Voting Shares representing approximately 13% of all issued and outstanding Class B Voting Shares (or 12.7% on a combined basis).

Moreover, as at January 13, 2014, the following persons beneficially own or exercise control or direction over 10% or more of the outstanding Class A Variable Voting Shares:

(iii) **Connor, Clark & Lunn Investment Management Ltd.**, which held 334,029 Class A Variable Voting Shares representing approximately 31.3% of all issued and outstanding Class A Variable Voting Shares; and

(iv) **Norges Bank**, which held 276,630 Class A Variable Voting Shares representing approximately 25.9% of all issued and outstanding Class A Variable Voting Shares.

7. **Q: HOW DO I VOTE?**

A: If you are entitled to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by proxy.

You may vote by proxy in one of the following four ways:

By telephone
On the Internet
By mail or fax

By telephone

Voting by proxy using the telephone is only available to shareholders located in Canada or the United States. Call 1-866-249-5639 (toll-free in Canada and the United States) from a touch-tone telephone and follow the instructions. Your voting instructions are then conveyed by using touchtone selections over the telephone.

You will need your 12-digit control number, which you will find on your proxy form.

If you choose to convey your instructions by telephone, you cannot appoint as your proxy holder any person other than the directors of Transat A.T. Inc. named on your proxy form.

The cut-off time for voting by telephone is 5:00 p.m. (Eastern Time) on March 11, 2014.

On the Internet

Go to the website **www.proxypush.ca/trz** and follow the instructions on the screen. Your voting instructions are then conveyed electronically over the Internet.

You will need your 12-digit control number, which you will find on your proxy form.

The cut-off time for voting over the Internet is 5:00 p.m. (Eastern Time) on March 11, 2014.

By mail or fax

You may vote by completing and signing the enclosed proxy form and forwarding it to CST in one of the following four ways: (i) by fax at (416) 368-2502, Attention: Proxy Department; (ii) by mail, in the prepaid envelope provided for this purpose; or (iii) by personal delivery at 320 Bay Street, Level B1, Toronto, Ontario, M5H 4A6, Attention: Proxy Department, or at 2001 University Street, 16th Floor, Montréal, Québec, H3A 2A6, Attention: Proxy Unit.

Please note that in order for your proxy form to be considered as duly completed and therefore, for your votes to be tallied, you must duly complete and forward to CST, no later than March 11, 2014 at 5:00 p.m. (Eastern Time), the declaration of ownership and control included on the proxy form.

If your shares are held in the name of a nominee, please see the instructions below under the headings **"HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?"** and **"HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?"**.

8. Q: CAN I VOTE BY PROXY?

A: Whether or not you attend the Meeting, you can appoint a proxy holder to vote for you at the Meeting. You can use the enclosed proxy form, or any other proper form of proxy, to appoint your proxy holder. The persons named in the enclosed proxy form are directors or officers of Transat. **However, you can choose another person to be your proxy holder, including someone who is not a shareholder of Transat, by crossing out the names printed on the proxy form and inserting another person's name in the blank space provided, or by completing another proper form of proxy.**

If your shares are held in the name of a nominee, please see the instructions below under the heading, **"HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?"** if you wish to attend or appoint someone else to attend and vote at the meeting.

9. Q: HOW WILL MY PROXY BE VOTED?

A: On the proxy form, you can indicate how you want your proxy holder to vote your shares, or you can let your proxy holder decide for you. If you have specified on the proxy form how you want your shares to be voted on a particular matter, then your proxy holder must vote your shares accordingly.

If you have not specified on the proxy form how you want your shares to be voted on a particular matter, your proxy holder can then vote in accordance with his or her judgment. **Unless contrary instructions are provided in writing, the shares represented by proxies received by management will be voted:**

(i) **FOR the election as directors of each of the nominees listed under the heading "Nominees for Election as Directors" of this Circular;**

(ii) **FOR the appointment of EY as auditors of Transat;**

(iii) **FOR the adoption of the resolution ratifying the renewal of the 2014 Shareholder Rights Plan; and**

(iv) **FOR the approval of the non-binding advisory resolution regarding the Corporation's approach to executive compensation**.

10. Q: WHAT IF THERE ARE AMENDMENTS OR IF OTHER MATTERS ARE BROUGHT BEFORE THE MEETING?

A: Subject to the foregoing noted in answer 8, the enclosed proxy form gives the persons named on it the authority to use their discretion in voting on amendments or variations to matters identified in the notice of the Meeting or any other matter duly brought before the Meeting.

At the date of printing this Circular, management is not aware of any amendments to the matters set out in the notice of the Meeting or of any other matter to be presented at the Meeting. If, however, any such amendments or other matters properly come before the Meeting, the persons named on the enclosed proxy form will vote on them in accordance with their judgment, pursuant to the discretionary authority conferred in writing by you pursuant to the proxy form.

11. Q: BY WHEN MUST I VOTE?

A: No later than 5:00 p.m. (Eastern Time) on March 11, 2014 (unless you intend to attend the Meeting in person). All shares represented by proper proxies accompanied by duly completed declarations received by CST prior to such date and time will be voted in accordance with your instructions as specified in the proxy form, on any ballot that may be called at the Meeting.

12. Q: CAN I CHANGE MY MIND AND REVOKE MY PROXY?

A: You can revoke your proxy at any time before it is acted upon. To do this, you must clearly state, in writing, that you want to revoke your proxy and deliver this written notice to the attention of the Corporation's Vice-President, General Counsel and Corporate Secretary at: Transat A.T. Inc., Place du Parc, 300 Léo-Pariseau Street, Suite 600, Montréal, Québec, H2X 4C2, no later than two business days before the Meeting, namely by March 11, 2014 at 5:00 p.m. (Eastern Time), or to the chair of the Meeting at the opening of the Meeting or any adjournment thereof, or in any other manner permitted by law.

13. Q: WHO COUNTS THE VOTES?

A: Proxies and votes are tallied by duly authorized representatives of CST, the Corporation's transfer agent.

14. Q: HOW ARE PROXIES SOLICITED?

A: Our management requests that you sign and return the proxy form to ensure your shares are voted at the Meeting. Proxies will be solicited primarily by mail or by any other means our management may deem necessary. Members of our management will receive no additional compensation for these services, but will be reimbursed for any transaction expenses they incurred in connection with these services. Transat has retained CST Phoenix Advisors, a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the Meeting for a fee of approximately $25,000 plus additional charges related to telephone calls and other services. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of shares registered in the names of these persons and Transat may reimburse them for the reasonable transaction and clerical expenses they will incur. We will pay for all costs related to this proxy solicitation, including printing, postage and delivery costs.

15. Q: HOW CAN A NON-REGISTERED SHAREHOLDER VOTE?

A: If your Voting Shares are not registered in your name, they are held in the name of a "nominee", which is usually a trust company, securities broker or other financial institution. Your nominee is required to seek your instructions as to how these shares are to be voted. Consequently, you will have received this Circular from your nominee, together with a voting instruction form. Each nominee has its own signing and return instructions, which you should follow carefully to ensure your shares are voted. If you are a non-registered shareholder who has voted by mail, by telephone, on the Internet or by fax and want to change your mind and vote in person, contact your nominee to discuss whether this is possible and what procedure to follow.

16. Q: HOW CAN A NON-REGISTERED SHAREHOLDER VOTE IN PERSON AT THE MEETING?

A: Since we do not have access to the names of our non-registered shareholders, if you attend the Meeting, we will have no record of your shareholdings or of your entitlement to vote, unless your nominee has appointed you as proxy holder. Therefore, if you are a non-registered shareholder and wish to vote in person at the Meeting (or have another person attend and vote on your behalf), please fill in your name or such other person's name in the space provided on the voting instruction form sent to you by your nominee. By doing so, you are instructing your nominee to appoint you or such other person as proxy holder. Then follow the signing and return instructions provided by your nominee.

17. Q: WHY IS THIS MANAGEMENT PROXY CIRCULAR SENT TO MY ATTENTION?

A: These securityholder materials are being sent to both registered and non-registered owners of Voting Shares. If you are a non-registered owner, and Transat or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding these shares on your behalf.

By choosing to send these materials to you directly, Transat (and not the intermediary holding the shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

18. Q: WHO DO I ASK IF I HAVE QUESTIONS ABOUT THE MEETING OR REQUIRE ASSISTANCE WITH VOTING?

A: Please contact our Proxy Solicitation Agent, CST Phoenix Advisors, toll-free at 1-866-822-1239 (or 201-806-2222 collect) or by email at inquiries@phoenixadvisorscst.com with any question you might have regarding the Meeting.

19. Q: CAN I NOMINATE A CANDIDATE FOR A DIRECTOR POSITION?

A: Only persons nominated in accordance with the procedure set out in the Advance Notice By-law, as set forth in Schedule D to this Circular, are eligible for election as directors of the Corporation. The by-law sets a deadline by which shareholders must submit a notice of director nominations to the Corporation prior to an annual or special meeting of shareholders at which directors must be elected. It also sets forth the information that a shareholder must include in the notice for it to be valid. The by-law allows the Corporation and its shareholders to receive adequate prior notice of director nominations, as well as sufficient information on all the nominees. The Corporation and its shareholders will thus be able to evaluate the proposed nominees' qualifications and suitability as directors.

GETTING TO THE BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS

The audited consolidated financial statements for the year ended October 31, 2013 and report of the auditors thereon, and the comparative financial statements for the years ended October 31, 2012 and 2013, which will be presented to our shareholders at the Meeting, are included in the Corporation's Annual Report that has been mailed to our shareholders or can be promptly provided upon written request and which are available at www.sedar.com. No vote is required on this matter.

2. NOMINEES FOR ELECTION AS DIRECTORS

Pursuant to the Articles of the Corporation, the Board of Directors must consist of a minimum of nine (9) and a maximum of fifteen (15) directors. The Board of Directors is presently composed of ten (10) directors. In accordance with a resolution adopted by our Board of Directors on January 8, 2014, the number of directors of the Corporation to be elected at the Meeting has been set at eleven (11).

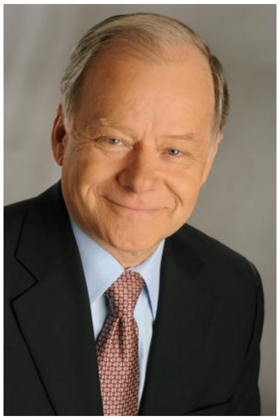
Eleven (11) directors will be put forward at the Meeting as nominees for election to the Board, of which eight (8) are independent from the Corporation. See section 7.4 "Independence of Directors" of this Circular for more information. As you will note in the enclosed proxy form or voting instruction form, the shareholders may vote for each director individually. Moreover, in January 2010, the Corporation has adopted a majority voting policy, which is described in section 2.1 below.

Our management does not anticipate that any of the nominees among the persons named below will be unable or unwilling to act as a director, but if such should be the case prior to his or her election at the Meeting, the persons named in the enclosed proxy form will vote in favour of the election as director(s) of any other person(s) whom the management of the Corporation may, upon the advice of the Corporate Governance and Nominating Committee, recommend to replace such nominee(s) among those named hereinafter, unless a shareholder indicates in his proxy form his intention to abstain from voting for the election of directors. Each director will remain in office until the next annual meeting of our shareholders or until his or her successor is elected or appointed.

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 voted FOR the election of each of the eleven (11) nominees described below.

The following tables set out the names of the proposed nominees for election as directors on our Board, together with their age, province and country of residence, year first elected as directors, current principal occupation, biography and their main areas of expertise, and whether the nominees are independent. Also indicated for each nominee is, among other things, the number and value of Voting Shares and deferred share units ("**DSUs**") beneficially owned, directly or indirectly, or over which control or direction is exercised as at January 13, 2014 (where applicable), the number of stock options to purchase Voting Shares held as at such date, if applicable, the committees on which he or she serves, the number of committee meetings and Board meetings he or she attended during the year ended October 31, 2013, as well as information regarding compensation received as a director during such year. Information is based on the statements made by the persons concerned and updated on a yearly basis.

Raymond Bachand



Age: 66
Mandatory retirement: 2023
Québec, Canada
Independent(1)

Raymond Bachand has held several key positions in Québec's public life. He taught at the École des hautes études commerciales de Montréal between 1972 and 1977, held the position of Chief of Staff to the Québec Minister of Labour and Manpower between 1977 and 1979, and served as Special Secretary in the Office of the Premier of Québec between 1979 and 1981. In the business world, he was Vice-President of Métro-Richelieu between 1981 and 1989 and Culinar between 1990 and 1993. He joined Fonds de solidarité des travailleurs du Québec (FTQ) in 1994 as First Vice-President and Chief Investment Officer and was appointed as Chief Executive Officer from 1997 to 2001. He was also Chief Executive Officer of Secor Conseil from 2002 to 2005. Finally, he was a member of the Board of Directors of the newspaper Le Devoir between 2002 and 2005 and the Board of Trade of Metropolitan Montréal between 2004 and 2005. He received the MBA of the Year Award in 1997 and the Prix Dimensions in 2000. In 2002, he was mandated to develop a cultural policy for the City of Montréal.

On December 12, 2005, he won a by-election in the Outremont riding under the banner of the Québec Liberal Party. He was then appointed Minister of Economic Development, Innovation and Export Trade. In March 2007, he was reelected in the Outremont riding and his mandate as Minister of Economic Development was renewed. He also was responsible for the Department of Tourism and served as Minister responsible for the Montréal region. In the 2008 general election, Raymond Bachand was reelected again in Outremont for a third consecutive term. He was reappointed as Minister of Economic Development, Innovation and Export Trade and Minister responsible for the Montréal region, while ceding the Department of Tourism to Nicole Ménard. He was then appointed Minister of Finance in April 2009 when Monique Jérôme-Forget announced her resignation. After the election of Clément Gignac in the by-election of June 22, 2009, Premier Jean Charest assigned him the Economic Development portfolio. On August 11, 2010, he was appointed Minister of Revenue in addition to his responsibility as Minister of Finance. He subsequently held other political positions and announced his retirement from politics on September 13, 2013. On January 20, 2014, he joined the law firm Norton Rose Fulbright as Strategic Advisor.

A native of Montréal, Mr. Bachand received his law degree from the Université de Montréal in 1969 and became a member of the Québec Bar the following year. He obtained a Master's of Business Administration (MBA) from Harvard University in 1972, and then a Doctorate of Business Administration (DBA) in 1981.

Areas of expertise: Financial services, tourism, professional services, consumer goods and retail, academic community, corporate governance, corporate management, finance and accounting, operations, strategic planning, board service for other public companies, marketing and sales, international, community involvement, business development and mergers-acquisitions.

Board/Committee membership	Attendance		Fees paid during FY 2013(2)	Value of equity compensation in FY 2013(2)
n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement	Stock options
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Louis-Marie Beaulieu	
 Age: 59 Mandatory retirement: 2029 Québec, Canada Director since September 2013 Independent(1)	Louis-Marie Beaulieu is Chairman of the Board and CEO as well as majority shareholder of Groupe Desgagnés inc., a private company specialized in marine transportation of general cargo and passengers. A graduate of the Université du Québec à Rimouski (UQAR) and a Fellow of the Ordre des comptables professionnels agréés du Québec, Mr. Beaulieu also holds a diploma from McMaster University's corporate governance program, granting him the designation of Chartered Director. Before acquiring Desgagnés in 1987, he held the position of Director of Finance and Administration in the company from 1981 to 1987, after having worked as an auditor at Mallette, Benoit, Boulanger, Rondeau in Québec City. Over the course of his career, Mr. Beaulieu has served on many boards of directors and audit committees, including those of the St-Lawrence Economic Development Council (SODES), the Société de l'assurance automobile du Québec (SAAQ) from 1989 to 1996, the Société Immobilière du Québec from 1997 to 2003 and the Canadian Commercial Corporation (CCC) from 2001 to 2004. He also served as Chairman of a number of audit committees, including those of SAAQ, CCC and Standard Compensation Act Liability Association Ltd. (SCALA). In addition, Mr. Beaulieu was a member of various organizations, such as the Commission des études of UQAR, the National Marine and Industrial Coalition as well as president of the Great Lakes / St-Lawrence Maritime and Industrial Coalition. He also served as co-president of the Marine Industry Forum with the Québec Minister of Transport. He is currently a member of several boards of directors, including those of SCALA since 1995 (and Chairman of the Board since October 2013), the Canadian Shipowners Association since 1990, the Chamber of Marine Commerce since 1997 and the Conseil du patronat du Québec since May 2011. Also, since his acquisition of Groupe Desgagnés, he serves as Chairman of the Board of Directors of the company's subsidiaries. He is also a member of various organizations and associations, including the Canadian Marine Advisory Council, the Cercle des présidents and QG-100 Network. **Areas of expertise :** Marine transportation, corporate management, corporate governance, finance and accounting, operations, strategic planning, community involvement and human resources.

Board/Committee membership	Attendance		Fees paid during FY 2013(2)	Value of equity compensation in FY 2013(2)
Board of Directors	5 of 6	83%	$22,719	$9,522
	n/a	n/a	n/a	n/a

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement(4)	Stock options
10,000	1,507	11,507	$141,536	$105,000	Yes	n/a

Lina De Cesare	
 Age: 62 Mandatory retirement: 2027 Québec, Canada Director since May 1989 Non-independent(1) (Ex-executive officer)	Lina De Cesare is Advisor to the President of the Corporation and one of its three founding members along with Messrs. Eustache and Sureau. Until November 2009, she was President, Tour Operators as well as President of several subsidiaries of the Corporation, namely: Cameleon Hotel Management Corporation, Cameleon Marival (Canada) Inc., Trafictours Canada Inc. and Transat Holidays USA, Inc. She was a director of Solareh Inc. and served on the Board of Directors of Cirque Eloize. She is also a member of the Board of Directors of Trafictours Canada Inc. and the Ocean company held in part by Transat. **Areas of expertise:** Tourism, air transportation, corporate management, operations, consumer goods and retail, international, hotel industry, strategic planning and community involvement.

Board/Committee membership	**Attendance**		**Fees paid during FY 2013(2)**	**Value of equity compensation in FY 2013(2)**
Board of Directors	9 of 10	90%	$47,500	$15,000

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement	Stock options
87,576	7,402	94,978	$1,168,229	$105,000	Yes	73,254

Jean-Pierre Delisle	
 Age: 69 Mandatory retirement: 2020 Québec, Canada Director since September 2007 Independent(1)	Jean-Pierre Delisle is a corporate director and estate administrator. Mr. Delisle joined Ernst & Young s.r.l./S.E.N.C.R.L. ("**EY**") in 1965 and became a partner in their tax group in 1974. From 1980 to 1986, he was in charge of the Montréal office's Entrepreneurial Services Group. He has held the position of Vice-President of Groupe Soficorp Inc., where he advised a number of companies in their initial public offerings (IPOs) including Transat A.T. Inc., of which he was a director from April 1987 to October 1988 until his return to EY in November 1988. Until his retirement in 2000, Mr. Delisle held a number of positions within EY including that of Managing Partner of the Montreal South Shore and Laval offices. He is also a member of the Board of Directors of Placements Verane Inc. since October 2000. From September to December 2001, Mr. Delisle joined Transat's senior management team as Advisor to the President in the context of the crisis facing the airline industry resulting from the events of September 11, 2001. Mr. Delisle obtained a Bachelor of Commerce degree from Concordia University (Loyola College) and is a member of the Ordre des comptables professionnels du Québec since 1967. In 2009, he obtained the designation of "Certified Corporate Director" from Université Laval. **Areas of expertise:** Corporate governance, financial services, finance and accounting, professional services, corporate management, business development and board service for other public companies.

Board/Committee membership	**Attendance**		**Fees paid during FY 2013(2)**	**Value of equity compensation in FY 2013(2)**
Board of Directors	10 of 10	100%	$49,000	$15,000
Audit Committee	4 of 4	100%	$11,000	–
Corporate Governance and Nominating Committee	4 of 4	100%	$8,500	–

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement	Stock options
33,000	8,970	41,970	$516,231	$129,000	Yes	–

W. Brian Edwards

Age: 64

Mandatory retirement: 2025

Québec, Canada

Director since June 2010

Independent[1]

W. Brian Edwards is a corporate director and founder of BCE Emergis Inc., serving as its Chief Executive Officer from 1988 to 2002. Mr. Edwards presently serves on the boards of directors and board committees of a number of corporations. From 2004 to 2012, M. Edwards was the Chairman of the Board of Directors of Miranda Technologies Inc., a public company listed on the TSX, until its acquisition in August 2012.

He is the Chairman of the Board of Directors of AtmanCo, a corporation merged with Biotonix 2010 Inc. in November 2012. Since 2010, he is a member of the Board of Directors of Pethealth Inc., a public company listed on the TSX, as well as a member of its Human Resources and Corporate Governance committees. He is a member of the Board of Directors of Camoplast Inc. since 2004 and the Chairman of its Compensation Committee. Mr. Edwards was also a member of the Board of Governors of Concordia University from 2000 to 2012, as well as its Vice-Chair from 2005 to 2011, in addition to holding a Bachelor of Commerce degree from this university.

Areas of expertise: Technology, corporate management, human resources, operations, strategic planning, business development and community involvement

Board/Committee membership	Attendance		Fees paid during FY 2013[2]	Value of equity compensation in FY 2013[2]
Board of Directors	10 of 10	100%	$31,500	$32,500
Executive Committee	1 of 1	100%	$3,000	$1,500
Human Resources and Compensation Committee (Chair)	4 of 4	100%	$11,000	$5,000
Corporate Governance and Nominating Committee	4 of 4	100%	$7,000	$1,500

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs[3]	Minimum equity ownership required as at October 31, 2013[4]	Compliance with requirement	Stock options
18,790	15,204	33,994	$418,126	$153,000	Yes	–

Jean-Marc Eustache

Age: 66

Mandatory retirement: 2023

Québec, Canada

Director since February 1987

Non-independent[1]

(Executive officer)

Jean-Marc Eustache is Chairman of the Board, President and CEO, and Chairman of the Executive Committee of the Corporation, as well as one of its three founding members along with Ms. Lina De Cesare and Mr. Philippe Sureau. Mr. Eustache is also Chairman of the Board of Directors and President of Transat Distribution Canada Inc. and Transat Tours Canada Inc., as well as President of Air Transat A.T. Inc., subsidiaries of the Corporation. He also serves on the boards of directors of many other subsidiaries of the Corporation. In addition, he is a director of several non-profit organizations, including Espace Go Theatre and UQAM Foundation (of which he is Chairman). In order to devote himself entirely to the Corporation's operations and its return to profitability, Mr. Eustache gave his resignation on January 17, 2012 as director of Quebecor Inc., a public company listed on the TSX of which he was a director since 2005. He was a director of the Canadian Tourism Commission from April 1998 to September 2011 and also served on its Executive Committee. He also served on the Board of Directors of the Conference Board of Canada from November 2008 to September 2011. Mr. Eustache holds a B.A. in economics from UQAM (Université du Québec à Montréal).

Areas of expertise: Tourism, air transportation, corporate management, operations, board service for other public companies, consumer goods and retail, mergers-acquisitions, international, corporate governance and community involvement.

Board/Committee membership	Attendance		Fees paid during FY 2013[2]	Value of equity compensation in FY 2013[2]
Board of Directors (Chair)	10 of 10	100%	–	–
Executive Committee (Chair)	1 of 1	100%	–	–

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs[3]	Minimum equity ownership required as at October 31, 2013[5]	Compliance with requirement	Stock options
401,766	10,331	412,097	$5,068,793	$2,466,000	Yes	862,533

Susan Kudzman

Age: 51

Mandatory retirement: 2038

Québec, Canada

Independent(1)

A specialist in risk management and human resources, Susan Kudzman is an actuary and currently a member of the partnership at Mercer Canada, where she was hired in 2011 to direct the risk management practice. She held the position of Executive Vice-President and Chief Risk Officer at Caisse de dépôt et placement du Québec, where she worked from 2005 to 2010. In addition to risk management, she was responsible for depositor services, performance calculation and analysis and strategic planning. From 2000 to 2005, she held the positions of Chief Human Resources Officer and Chief Corporate Officer at BCE Emergis Inc., a publicly traded company specializing in electronic transactions. Prior to that, she held a human resources management position at Laurentian Bank and worked for over ten years as a pension and benefits consultant.

She is a member of the Board of Directors and the Audit Committee of AtmanCo, a publicly traded company specializing in online employee assessment. She has been Vice-Chair of the Board of Directors and the Executive Committee and a member of the Audit Committee of Les Grands Ballets Canadiens de Montréal since 2000. She is a member of the Board of Directors, the Investment Committee and the Human Resources Committee of the Montreal Heart Institute Foundation. She served as Chair of the Board of Directors of Quartier International de Montréal from 2006 to 2013.

Ms. Kudzman holds a Bachelor's degree in Actuarial Science and the titles of Fellow of the Canadian Institute of Actuaries (FCIA), Fellow of the Society of Actuaries (FSA) and Certified Enterprise Risk Analyst (CERA).

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Areas of expertise: Financial services, technology, professional services, community involvement, corporate governance, finance and accounting, board service for other public companies, international, business development and mergers-acquisitions, risk management, strategic planning and human resources.

Board/Committee membership	Attendance		Fees paid during FY 2013(2)	Value of equity compensation in FY 2013(2)
n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement	Stock options
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Jean-Yves Leblanc

Age: 67

Mandatory retirement: 2022

Québec, Canada

Director since December 2008

Lead Director

Independent(1)

Jean-Yves Leblanc is a corporate director. He was President and Chief Executive Officer of Bombardier Transportation from 1986 to 2001, and Chairman of its Board of Directors from 2001 to 2004. Mr. Leblanc is currently a director and Board committee member of various corporations and organizations. Mr. Leblanc has been a member of the Supervisory Board of Groupe Kéolis S.A.S (France) since 2007; he is also Chairman of the Audit and Ethics Committee, Chairman of the Compensation and Human Resources Committee and Chairman of the Risk Management and Safety Committee. He has also been a member of the Board of Directors, the Audit and Risk Management Committee and the Human Resources and Governance Committee of Pomerleau Inc. since 2003. He has also been a member of the Board of Directors of Premier Tech Inc. since 2005 and a member of its Audit and Risk Management Committee, Acquisitions Committee and Innovation Committee. Since September 2011, he serves on the Supervisory Board of Advanced Inflight Alliance AG, a public company listed on the General Standard Trading Segment of the Frankfurt Stock Exchange, in Germany. Since 2010, Mr. Leblanc chairs the Board of Directors of the Conseil du Patronat du Québec. He was a member of the Board of Directors of Desjardins Securities from 2004 to 2013, as well as Chairman of its Audit, Risk Management and Ethics Committee and a member of its Compensation Committee. He also served on the Board of Directors of the Montreal Heart Institute from 2001 to 2011. He was a member of the Board of Directors of IPL Inc. from 2006 to 2010, as well as Chairman of its Human Resources and Governance Committee. Mr. Leblanc was also a member of the Board of Directors of ADS Inc. from 2004 to 2009, a member of its Audit and Risk Management Committee and Chairman of its Human Resources and Governance Committee. Mr. Leblanc was Chairman of the Board of Directors of Théâtre du Nouveau Monde from 2005 to 2010 and a member of the Board of Directors of the Montreal Heart Institute Foundation from 2003 to 2009. Mr. Leblanc holds a Bachelor's degree in Mechanical Engineering from Université Laval, a Master's degree in Industrial Engineering from the University of Toronto and a M.B.A. from the University of Western Ontario.

Areas of expertise: Corporate governance, transportation, corporate management, finance, mergers-acquisitions, board service for other public companies, operations, international, strategic planning, human resources and community involvement.

Board/Committee membership	**Attendance**		**Fees paid during FY 2013(2)**	**Value of equity compensation in FY 2013(2)**
Board of Directors (Lead Director)	10 of 10	100%	$74,000	$25,000
Executive Committee	1 of 1	100%	$4,500	–
Human Resources and Compensation Committee	4 of 4	100%	$9,000	–
Audit Committee (Chair)	4 of 4	100%	$21,000	–

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013	Compliance with requirement(4)	Stock options
5,000	11,286	16,286	$200,318	$243,000	In progress	–

Tony Mignacca

Age: 55
Mandatory retirement: 2034
Québec, Canada
Independent(1)

Tony Mignacca has been Chief Executive Officer and Chairman of the Board of SAIL Outdoors Inc. since 2009. He also served as Chief Executive Officer and Chairman of the Board of Ski-Mode Bernard Trottier Inc. from 1995 to 2008 and, during that period, acquired Baron Sport in 2000 and SAIL Outdoors in 2005. Parallel to this, in 1997, he was co-shareholder of Groupe Conseil Strator Inc., a consulting firm in the retail, distribution and service field, whose main client was Caisse de dépôt et placement du Québec. In this capacity, he was involved in several accounts, such as Motovan, The Hockey Company, Chapter's and Rona, which gave him a better understanding of the objectives of financial institutions, their risk analyses, the returns sought and how to structure major transactions. From 1991 to 1994, he was President and Chief Executive Officer of the Canadian retail leader in sporting goods and sportswear, Sports Experts Inc. He held several positions with this company from 1986 to 1991. Mr. Mignacca is a member of the Board of Directors of the Canadian Sportfishing Industry Association (CSIA) and La vie en rose. He has also been a member of the Board of Directors of the Conseil québécois du commerce de détail / Retail Council of Quebec (CQCD), Motovan Corporation as representative of Caisse de dépôt et placement du Québec.

Areas of expertise: Marketing, communications and advertising, professional services, consumer goods and retail, corporate management, finance, marketing and sales, business development and mergers-acquisitions, operations, strategic planning and board service for other public companies.

Board/Committee membership	**Attendance**		**Fees paid during FY 2013(2)**	**Value of equity compensation in FY 2013(2)**
n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement	Stock options
n/a	n/a	n/a	n/a	n/a	n/a	n/a

Jacques Simoneau

Age: 56

Mandatory retirement: 2033

Québec, Canada

Director since November 2000

Independent(1)

Jacques Simoneau is President and CEO as well as a director of Gestion Univalor, LP, a limited partnership with the mission to commercialize the innovations of the researchers of the Université de Montréal and its affiliated institutions. He is also a director of various corporations as well as a member and Institute-certified Director (ICD.D) of the Institute of Corporate Directors. Mr. Simoneau was Executive Vice-President, Investments of the Business Development Bank of Canada ("BDC") from 2006 to 2010. In that capacity, he was responsible for the venture capital and subordinate financing portfolios. Prior to assuming this position, he was President and CEO of Hydro-Québec CapiTech Inc., Senior Vice-President of the Fonds de solidarité FTQ and CEO of Société Innovatech du sud du Québec. He also held executive positions at Advanced Scientific Computing and Alcan. He is a director of Exploration Azimut Inc. (TSXV: AZM), Diagnocure Inc. (TSX: CUR), Génome Québec and Sustainable Development Technology Canada. Mr. Simoneau was a director of Canada's Venture Capital and Private Equity Association from 2006 to 2011 and was a member of the Conseil de la science et de la technologie du Québec from 2004 to 2011. He has also served on the boards of directors of three other public companies and about twelve private companies since 1995. Mr. Simoneau is a mechanical engineer and holds a M.Sc. from Université Laval as well as a Ph.D. from Queen's University. He is a member of the Ordre des ingénieurs du Québec and of Professional Engineers Ontario.

Areas of expertise: Corporate governance, air transportation, finance and accounting, marketing, communications, advertising, strategic planning, operations, technology, academic community, human resources, business development and mergers-acquisitions, corporate management and board service for other public companies.

Board/Committee membership	Attendance		Fees paid during FY 2013(2)	Value of equity compensation in FY 2013(2)
Board of Directors	10 of 10	100%	$49,000	$15,000
Executive Committee	1 of 1	100%	$4,500	–
Audit Committee	4 of 4	100%	$11,000	–
Corporate Governance and Nominating Committee (Chair)	4 of 4	100%	$15,500	–

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Acquisition cost of Voting Shares and DSUs(3)	Minimum equity ownership required as at October 31, 2013(4)	Compliance with requirement	Stock options
15,580	9,584	25,164	$309,517	$159,000	Yes	671

Philippe Sureau

Age: 64

Mandatory retirement: 2025

Québec, Canada

Director since February 1987

Non-independent[1]

(Ex-executive officer)

Philippe Sureau is Advisor to the President of the Corporation and one of its three founding members along with Mr. Jean-Marc Eustache and Ms. Lina De Cesare. Mr. Sureau is also Chairman of the Board of Directors of Travel Superstore Inc. Until November 2009, he was also President, Distribution, of the Corporation and served on the boards of directors of several of its affiliates. He has been part of the founding and development of a series of business initiatives, which led to the inception of Transat in 1987 (Nortour, Trafic Voyages, Trafic Tour France), and has been a member of its Board of Directors since its inception. As a travel industry professional, his chief contribution has been in the field of public relations as Director of communications, marketing, sales strategy and corporate relationship. More recently, he served as President and CEO of Air Transat (1997-2000) and directed Transat's Internet venture. Until November 2009, he was heading the distribution side of the Corporation, overseeing its activities on both online and traditional channels in Canada and France. Among other accomplishments, he was Chairman of the Québec Travel Agency Association (ACTA-Québec) in 1986-87; President of the Air Transport Association of Canada (ATAC) in 1995-96, and from 1999 to 2005, was a member of the Board of Directors of Manoir Richelieu. From April 2005 to June 2011, Mr. Sureau was appointed by the Québec government as a member of the Comité consultatif des agents de voyages (consulting committee of travel agents). He is also Chairman of the Board of Directors of the Corporation du Théâtre Outremont and a member of the Board of Directors of La Vitrine culturelle de Montréal.

Areas of expertise: Tourism, air transportation, technology, corporate management, corporate governance, mergers-acquisitions, consumer goods and retail, communications and advertising, strategic planning, public relations, marketing, operations and international.

Board/Committee membership	**Attendance**		**Fees paid during FY 2013[2]**	**Value of equity compensation in FY 2013[2]**
Board of Directors	10 of 10	100%	$31,500	$32,500

Securities beneficially owned, directly or indirectly, or controlled or directed:

Voting Shares	DSUs	Total of Voting Shares and DSUs	Total market value of Voting Shares and DSUs[3]	Minimum equity ownership required as at October 31, 2013[4]	Compliance with requirement	Stock options
366,609	13,118	379,727	$4,670,642	$105,000	Yes	84,408

(1) "Independent" refers to the standards of independence established under Section 1.2 of Canadian Securities Administrators' National Instrument 58-101.

(2) Please refer to the "Directors' Compensation" section on page 26 of this Circular for a description of the compensation policy applicable to our outside directors during the year ended October 31, 2013.

(3) The "Total market value of Voting Shares and DSUs" is determined by multiplying the closing price of the Voting Shares on the TSX on October 31, 2013 ($12.30) by the number of Voting Shares and DSUs held as of such date.

(4) Under the guidelines adopted by Transat, each director who is not an employee must hold a number of shares or DSUs having a value equivalent to at least three times the base annual Board retainer paid in cash to which they are entitled after having served three years as director. In addition, it was decided, on January 11, 2012, that the amount used to determine compliance with the directors' minimum equity ownership requirement will be (i) the cost of acquiring the shares and DSUs for the director or (ii) the market value of the Voting Shares and DSUs held by the director on October 31 of each year, whichever is the higher.

(5) For the President and Chief Executive Officer, the guidelines adopted by the Corporation provide that such officer must hold a number of Voting Shares or DSUs having a value equivalent to three times his annual base salary.

To the knowledge of Transat, none of the proposed nominees for election as directors of the Corporation is or has been in the last ten years from the date of this Circular an executive officer or director of a company that, while the nominee was acting in that capacity or within a year of that nominee ceasing to act in that capacity, made a proposal under legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors.

2.1 *Majority Voting Policy*

On January 13, 2010, our Board of Directors adopted a policy providing that, in an uncontested election of the directors, any nominee for whom the number of "abstentions" from voting exceeds the number of votes "for" his election must submit his resignation to the Board of Directors immediately after the annual meeting of shareholders. The Corporate Governance and Nominating Committee then reviews this offer to resign and recommends that the Board of Directors accept or reject it. The Board of Directors makes a final decision in this regard and announces it by press release within ninety (90) days of the annual meeting of shareholders. A director who submits his resignation in accordance with this policy does not attend any of the meetings of the Board of Directors or the Corporate Governance and Nominating Committee at which his resignation is reviewed.

2.2 *Board Interlocks*

Except for Ms. Susan Kudzman and Mr. W. Brian Edwards, who both serve on the Board of Directors of AtmanCo Inc., no member of our Board of Directors serves with another member of the Board of Directors of another operating corporation.

2.3 *Shareholding Guidelines for Directors*

In order to align the interests of the directors with those of the shareholders, the Board of Directors has adopted a minimum equity ownership requirement for directors. Each director must hold a number of Voting Shares and DSUs equivalent to at least three times the annual cash Board retainer to which he or she is entitled after having served three years as director. As at the date of this Circular, all the directors already comply or, in the case of Mr. Jean-Yves Leblanc, is or was in the process of complying with the shareholding guidelines. In the event that Mr. Bachand, Mr. Mignacca and Ms. Kudzman are elected, they will then have three years to comply with the minimum equity ownership requirements.

3. APPOINTMENT OF OUR AUDITORS

On the recommendation of the Audit Committee, the Board of Directors proposes that EY be reappointed as auditors of the Corporation to hold office until the next annual meeting of shareholders and that their remuneration be determined by the Audit Committee.

Unless a shareholder indicates that he intends to abstain from voting, the voting rights attached to the shares represented by the proxy form enclosed herewith will be voted FOR the appointment of EY as auditors of the Corporation.

In 2013, the aggregate amounts billed for professional services provided by the auditors to the Corporation and its subsidiaries were approximately $1,446,000 for audit fees, $35,000 for audit-related fees and $120,000 for tax fees; the comparative figures for 2012 were approximately $1,139,000, $81,000 and $185,000, respectively. During those two years, no amounts were billed for all other non-audit fees. "Audit fees" are fees for professional services provided for the audit of the Corporation's consolidated financial statements, for services that are normally provided by the Corporation's external auditors in connection with statutory and regulatory filings or engagements and for other services performed by the auditors to comply with generally accepted auditing standards; "audit-related fees" are fees for assurance and related services; "tax fees" are fees for tax compliance, tax advice and tax planning services.

3.1 *Auditors' Independence*

In addition to the letter issued by the auditors regarding their independence, the Corporation and the Audit Committee of the Board have considered whether the services performed by the auditors were compatible with maintaining the auditors' independence and have concluded that such was the case. In order to better define the limits within which such services are provided to the Corporation, the Board adopted, in addition to the Audit Committee charter, a Policy respecting the Pre-Approval of Audit and Non-Audit Services.

4. SHAREHOLDER RIGHTS PLAN OF TRANSAT

Transat's shareholder subscription rights plan dates back to February 3, 1999 and was ratified by the shareholders on March 24, 1999. This plan was renewed by the Board of Directors on February 13, 2002, and ratified by the shareholders on March 27, 2002, and was renewed again by the Board of Directors on March 15, 2005, and ratified by the shareholders on April 27, 2005. It was renewed by the Board of Directors for a third time on January 16, 2008, and ratified by the shareholders on March 12, 2008. On January 12, 2011, the Board of Directors approved the plan for a fourth time, and it was ratified by the shareholders on March 10, 2011 (the "**Existing Plan**"). The terms of the Existing Plan are set forth in the full text of the Amended and Restated Shareholder Rights Plan between the Corporation and CST, as rights agent, which is available at www.sedar.com.

The Existing Plan is designed to provide Transat's shareholders and the Board of Directors additional time to assess an unsolicited take-over bid for the Corporation and, where appropriate, to give the Board of Directors additional time to pursue alternatives for maximizing shareholder value. It also encourages fair treatment of all shareholders by providing them with an equal opportunity to participate in a take-over bid. The Existing Plan creates one right in respect of each Variable Voting Share and each Voting Share of Transat outstanding as at March 10, 2011, or subsequently issued. Presently, until the separation time, which typically occurs at the time of an unsolicited take-over bid, whereby an Acquiring Person (as defined in the rights plan) acquires or attempts to acquire 20% or more of the Variable Voting Shares or 20% or more of the Voting Shares of Transat, the rights are not separable from the shares, are not exercisable and no separate rights certificates are issued.

The Existing Plan is scheduled to expire at the close of the annual and special meeting of the shareholders to be held on March 13, 2014. On December 11, 2013, the Board of Directors approved the updating and restatement of the Existing Plan for another three-year period, with certain changes, which are described hereafter (the "**2014 Rights Plan**"). The 2014 Rights Plan will come into force only after the annual and special meeting of the shareholders to be held on March 13, 2014, provided that the 2014 Rights Plan ratification resolution is approved by a majority of the votes cast by the shareholders, in person or by proxy, at the Meeting. Once ratified on March 13, 2014, the 2014 Rights Plan will expire at the close of business the day after the annual meeting of shareholders to be held in 2017, unless earlier terminated in accordance with its terms.

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

The 2014 Rights Plan contains amendments to the Existing Plan which will render effective a decision issued by Canadian regulatory authorities (pursuant to an application of Transat) that effectively treats Transat's outstanding Class A Variable Voting Shares and Class B Voting Shares as a single class of shares for the application of the take-over bid rules and early warning reporting rules, as contained under Canadian securities laws. A copy of the decision is available under Transat's profile at www.sedar.com.

Therefore, subject to certain exceptions identified in the 2014 Rights Plan, the 2014 Rights Plan would be triggered in the event of an offer to acquire 20% or more of the outstanding Class A Variable Voting Shares and Class B Voting Shares of Transat calculated on a combined basis, instead of 20% or more of the outstanding Class A Variable Voting Shares or Class B Voting Shares calculated on a per class basis as it is the case under the Existing Plan.

Recommendation of the Board of Directors

The Board of Directors has determined that the 2014 Rights Plan is in the interests of the Corporation and its shareholders and recommends that the holders of shares vote **FOR** the ratification of the 2014 Rights Plan.

Unless instructed otherwise by the shareholder, the voting rights attached to the shares represented by the attached management proxy form will be voted **FOR** the non-binding advisory resolution regarding the Corporation's approach to executive compensation.

The principal terms of the 2014 Rights Plan are also set forth in Schedule B to this Circular.

The purpose of the 2014 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 2014 Rights Plan is designed to give the Board of Directors time to consider alternatives, the ultimate objective of which is to allow shareholders to receive full and fair value for their shares. The 2014 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 2014 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 in itself dilutive, will not affect reported earnings per share and will not change the way in which shareholders would otherwise trade their 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 Variable Voting Shares and Voting Shares on a combined basis other than by way of a "Permitted Bid" (as defined in Schedule B).

A potential bidder can avoid the dilutive features of the 2014 Rights Plan by making an offer that conforms 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 Voting Shares and must be open for at least 60 days after the bid is made. If more than 50% in aggregate of the outstanding Voting 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 Voting 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 2014 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.

Summary

The terms of the 2014 Rights Plan are set out in an Amended and Restated Shareholder Rights Plan Agreement dated as of December 11, 2013 between the Corporation and CST Trust Company as rights agent. A summary of the principal terms of the 2014 Rights Plan Agreement is set forth in Schedule B to this Circular. The text of the 2014 Rights Plan is available upon request, free of charge, from the Corporate Secretary or from CST Trust Company at the following addresses:

TRANSAT A.T. INC.
300 Léo-Pariseau Street
Suite 600
Montréal, Québec, H2X 4C2

CST Trust Company
2001 University Street
Suite 1600
Montréal, Québec, H3A 2A6

5. DIRECTORS' COMPENSATION

On the recommendation of the Human Resources and Compensation Committee, our Board of Directors proposes the adoption of the non-binding advisory resolution regarding the Corporation's approach to executive compensation, reproduced in Schedule C to this Circular.

Unless instructed otherwise by the shareholder, the voting rights attached to the shares represented by the attached management proxy form will be voted FOR the non-binding advisory resolution regarding the Corporation's approach to executive compensation.

During the year ended October 31, 2013, annual retainers and attendance fees were paid to the members of the Board who are not employees or officers of the Corporation on the following basis:

	Compensation policy in force since November 1, 2007 with amounts revised as of November 1, 2010
Annual Board retainer (for board service only)	$35,000 in cash plus an additional amount of $15,000 awarded in DSUs, at $3,750 per quarter
Additional annual retainer payable to the chairperson of the Audit Committee	$15,000
Additional annual retainer payable to each of the other committee chairpersons	$10,000

	Compensation policy in force since November 1, 2007 with amounts revised as of November 1, 2010
Additional annual retainer payable to the Audit Committee members	$5,000
Additional annual retainer payable to committee members (excluding committee chairpersons and Audit Committee members)	$3,000
Attendance fees for each Board or committee meeting attended	
– in person	$1,500
– by conference call	$1,000
Annual grant of stock options under the terms of the Corporation's stock option plan	No new grants. Since March 15, 2006, option grants to non executive directors are suspended

	Addition to the compensation policy in force since June 22, 2012
Additional annual compensation payable to the Lead Director	$25,000 in cash and an additional amount of $10,000 awarded in DSUs, at $2,500 per quarter

A director can choose to have between 0 and 100% of the annual fees and supplements paid in the form of DSUs pursuant to the deferred share unit plan for Independent Directors which was implemented in 2004 (and amended on June 8, 2005 and January 18, 2006) to better link the compensation of directors to the creation of added value for shareholders. Each DSU will be valued on the basis of the market value of a Transat Voting Share on the dates that such DSUs are credited. When the directors cease serving on the Board, all DSUs credited to their name are redeemed in cash by Transat based on the market value of the shares at that time.

Outside directors are reimbursed for travel and other out-of-pocket expenses incurred in attending Board or committee meetings. In addition, travel privileges are granted to our directors pursuant to the same policy which applies to all the employees of Transat.

- **Total Compensation of Outside Directors**

During the year ended October 31, 2013, the following annual retainers and attendance fees were paid to the members of the Board who are not employees or officers of the Corporation:

Name	Compensation ($)		Share-based awards (DSU)(2)	Option-based awards(3)	Non-equity incentive plan compensation	Pension value(4)	All other compensation(5)	Total compensation
	Annual retainer(1)	Attendance fees(1)	($)	($)	($)	($)	($)	($)
André Bisson[(6)]	15,702	11,000	5,478	–	–	–	0	32,180
Louis-Marie Beaulieu[(6)]	22,219	7,500	9,522	–	–	–	0	39,242
Lina De Cesare	35,000	12,500	15,000	–	–	–	2,820	65,320
Jean-Pierre Delisle	43,000	25,500	15,000	–	–	–	1,875	85,375
W. Brian Edwards	25,500	27,000	40,500				446	93,446
Jean-Yves Leblanc	81,000	27,500	25,000	–	–	–	1,089	134,589
Jacques Simoneau	53,000	27,000	15,000	–	–	–	2,214	97,214
Philippe Sureau	17,500	14,000	32,500	–	–	–	2,326	66,326
John D. Thompson	43,000	26,000	15,000	–	–	–	0	84,000

Name	Compensation ($)		Share-based awards (DSU)(2)	Option-based awards(3)	Non-equity incentive plan compensation	Pension value(4)	All other compensation(5)	Total compensation
	Annual retainer(1)	Attendance fees(1)	($)	($)	($)	($)	($)	($)
Dennis Wood	0	16,500	53,000	–	–	–	0	69,500

(1) These amounts represent the portion paid in cash to the outside directors.
(2) These amounts represent the value in cash of the annual retainer paid in DSUs to the outside directors.
(3) On March 15, 2006, the Board of Directors stopped granting options to directors who are not employees or executive officers of the Corporation.
(4) The Corporation does not provide a pension plan to its directors.
(5) These amounts represent the value in cash of the travel privileges.
(6) André Bisson left office on March 13, 2013. Louis-Marie Beaulieu took office on March 14, 2013.

- **Credited Deferred Share Units (DSUs)**

The following table sets forth the date on which DSUs were credited to directors and their value on such date:

DSUs CREDITED DURING THE YEAR ENDED OCTOBER 31, 2013										
	Quarter									
	Q1 January 31		Q2 April 30		Q3 July 31		Q4 October 31		Total DSUs credited	Total value of DSUs credited
	(#)	($)	(#)	($)	(#)	($)	(#)	($)	(#)	($)
André Bisson(1)	694	3,750	285	1,728	0	0	0	0	979	5,478
Louis-Marie Beaulieu	–	–	333	2,022	708	3,750	466	3,750	1,507	9,522
Lina De Cesare	694	3,750	618	3,750	708	3,750	466	3,750	2,486	15,000
Jean-Pierre Delisle	694	3,750	618	3,750	708	3,750	466	3,750	2,486	15,000
W. Brian Edwards	1,875	10,125	1,668	10,125	1,910	10,125	1,258	10,125	6,711	40,500
Jean-Yves Leblanc	1,157	6,250	1,030	6,250	1,179	6,250	776	6,250	4,142	25,000
Jacques Simoneau	694	3,750	618	3,750	708	3,750	466	3,750	2,486	15,000
Philippe Sureau	1,505	8,125	1,339	8,125	1,533	8,125	1,009	8,125	5,386	32,500
John D. Thompson(2)	694	3,750	618	3,750	708	3,750	466	3,750	2,486	15,000
Dennis Wood(2)	2,454	13,250	2,183	13,250	2,500	13,250	1,646	13,250	8,783	53,000

(1) After Mr. Bisson left office as a director during the annual and special meeting of the shareholders held on March 14, 2013, the total DSUs he held were redeemed on June 20, 2013 in accordance with the terms and conditions of the Deferred Share Unit Plan.
(2) Mr. Thompson and Mr.Wood will not run again for director positions at the annual and special meeting of shareholders to be held on March 13, 2014.

6. EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

6.1 *Compensation Approach and Objectives*

The purpose of the Corporation's executive compensation policy is to provide competitive overall compensation commensurate with the Corporation's performance. It seeks to attract the most competent people and keep them motivated and committed, in the interest of all the Corporation's shareholders. Thus, the positioning of the fixed compensation aims at the median of its reference market. The variable compensation elements are designed so that their value varies according to the organization's performance in order to control the fixed costs when the Corporation does not meet its goals and to reward the Named Executive Officers commensurate with the organizational goals achieved and the Corporation's financial performance. More specifically, the guiding principles for executive compensation are the following:

6.1.1 *Performance-Based Compensation:*

Most of the Corporation's executive compensation programs are designed so that the compensation granted or paid is based on the Corporation's overall performance, combined, if applicable, with the performance of the subsidiary in which the executive works. Indeed, it is the Corporation's strategy to maximize the relationships and the cooperation between certain subsidiaries. Therefore, it is deemed important that the compensation programs incorporate this principle.

6.1.2 *Competitive Compensation:*

It is crucial for the Corporation to offer its executive officers competitive compensation to attract the best resources and maintain their loyalty. In the competitive context in which the Corporation conducts its operations and in preparing the succession of key executive officers, this guiding principle is essential. The Corporation, in collaboration with independent external advisors, periodically reviews the nature of the compensation programs and their potential value. The Corporation ensures that, on the whole, the value of overall compensation remains competitive in comparison with the practices of comparable companies and the practices of public companies in general.

6.1.3 *Compensation Aligned with the Shareholders' Interest:*

Several of the component programs of overall executive compensation seek to establish a direct correspondence between the interests of the shareholders and the interests of the executive officers, whether by programs in the form of equity-based awards or programs which have a long-term relationship with the value created for all shareholders. Moreover, equity-based compensation as a proportion of overall annual compensation increases with the level of the position, thus strengthening the alignment of the executive officers' interests with those of the shareholders.

6.2 *Human Resources and Compensation Committee*

Responsibilities

The Human Resources and Compensation Committee of our Board of Directors (referred to hereinafter in this section as the "**Committee**") is responsible for establishing the policies regarding the compensation of executives and the development and training of their successors, as well as for continuously supervising their implementation with non-unionized employees. The Committee makes recommendations regarding the compensation of the executive officers, which are subject to the approval of the Board of Directors. The Committee also reviews the yearly performance goals of the Chairman of the Board, President and Chief Executive Officer and the other executive officers and performs the evaluation of the Chief Executive Officer. The Committee also reviews, together with the Chief Executive Officer, the evaluation of the other executive officers by the Chief Executive Officer. The annual evaluation of the Chief Executive Officer is conducted by the Committee without the Chief Executive Officer being present, is then submitted to the Board and discussed by the Board *in camera*, and feedback is given thereafter.

In particular and without limiting the scope of its mandate, the Human Resources Committee has the following duties and responsibilities:

I. After reviewing the recommendations from senior management, make recommendations to the Board on the annual general policy on basic remuneration applicable to all employees;

II. Make recommendations to the Board on the structure of the remuneration programs forming the total remuneration of executives in salary grades 1 through 11;

III. Review any recommendation on the total remuneration policy and each one of its components, including base salary, short-term and long-term incentive programs, employee benefits and other benefits; and annually ensure that this policy and all programs that support it satisfy the internal equity and outside competitiveness objectives of the Corporation for salary grades 1 through 11 and reflect the evolution of practices in this regard;

IV. Review the policies established for assessing the performance of executives in salary grades 1 through 11;

V. In collaboration with the President and Chief Executive Officer, examine the actions taken for ensuring the development and succession of the President and Chief Executive and the senior executives in salary grades 1 through 6 and report thereon to the Board;

VI. Approve, for each fiscal year, the objectives of the President and Chief Executive Officer and review the objectives of senior executives in salary grades 1 through 6 with the President and Chief Executive Officer;

VII. Assess the performance of the President and Chief Executive Officer, report and make any recommendations to the Board regarding this assessment;

VIII. In collaboration with the President and Chief Executive Officer, review the performance of senior executives in salary grades 1 through 6 and report thereon to the Board;

IX. Make recommendations to the Board on the remuneration of the President and Chief Executive Officer;

X. Review the recommendations of the President and Chief Executive Officer on the lower and upper limits of the salary to be paid to senior executives in salary grades 1 through 6 and on the remuneration to be paid to senior executives;

XI. Approve the eligibility to and objectives of the short-term and long-term incentive plans and the eligibility to the retirement agreements for senior executives in salary grades 1 through 6, and recommend any action or allotment of shares or securities under any plan included in these incentive plans and approve the award allocations to be paid to eligible executives;

XII. Review and make recommendations to the Board on the appointment of the President and Chief Executive Officer;

XIII. Review the recommendations of the President and Chief Executive Officer on the appointment of senior executives in salary grades 1 through 6 and provide feedback, if any;

XIV. Conduct an annual assessment of the services and independence of all outside advisors hired from time to time by the Human Resources Committee;

XV. Ensure compliance with the hiring policies established by the Audit Committee regarding partners and employees and former partner and employees of the external auditors;

XVI. Make recommendations to the Board on the remuneration of its members and of the directors involved in the committees of the Corporation;

XVII. Supervise the process of preparing the Management Proxy Circular regarding the contents of the disclosure on compensation of certain executives and the directors; and

XVIII. Conduct an annual review of the performance of the Corporation’s pension plans.

Composition

The Committee is currently composed of Messrs. John D. Thompson, Dennis Wood, Jean-Yves Leblanc and Brian Edwards. Mr. Brian Edwards was appointed chair of the Committee on March 15, 2012. No member of this Committee is currently employed by Transat or any of its subsidiaries, or is a former officer or employee of Transat or any of its subsidiaries. None of our executive officers is a member of the boards of directors of the corporations that employ Messrs. Brian Edwards, John D. Thompson, Dennis Wood and Jean-Yves Leblanc. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation only and withdraws from the meeting upon request or if matters relating to him are discussed.

Qualifications and Experience of the Committee Members

Each committee member has direct experience that is relevant to his or her responsibilities in executive compensation, as well as the skills and experience that enable him or her to make informed decisions on the suitability of the Corporation’s policies and practices.

More specifically, each committee member has held a number of executive management roles, in most cases as Chief Executive Officer of companies where the human resources department was reporting to them. For example, Mr. John D. Thompson held the position of Chief Executive Officer and was a member of the boards of directors of various corporations where he gained experience in human resources and compensation. Furthermore, he was a member of several boards of directors, including Domtar Inc., AXA Insurance Inc., Shermag Inc. and Société générale de financement du Québec, where human resources and compensation issues were the object of discussions and recommendations on a regular basis. Mr. Jean-Yves Leblanc has had the opportunity to supervise, control and orient all aspects of the human resources function, including labour relations, bargaining agreement negotiations, staffing, compensation, training, succession plans, etc. He is also a member of the human resources and compensation committee of several other corporations, including Groupe Kéolis S.A.S. (France) and Pomerleau Inc. Mr. Dennis Wood is a member of the compensation committee of Rite-Aid Corp. and also has financial expertise with respect to executive compensation. He is also a member of the audit committees of National Bank Trust Inc. and The Jean Coutu Group (PJC) Inc. Lastly, Mr. W. Brian Edwards, as founder of BCE Emergis, of which he was CEO from 1988 to 2002, has also gained extensive experience with respect to compensation and human resources issues. He is also chairman of the compensation committee of Camoplast Solideal Inc. and a member of the compensation committee of Pethealth Inc.

No executive officer of the Corporation serves as a director or a member of the compensation committee of another issuer, one of whose executive officers serves as a member of the Board of Directors or the Committee.

The responsibilities, powers and operation of the Committee are described more fully in the charter of the Committee, which is reviewed every two years. This charter is described in paragraph 6.2 above and is available on the Corporation's website at www.transat.com.

Policies and Practices

The policies and practices adopted by the Committee to determine the compensation for executive officers are focused on short-term and long-term incentives, which are described below.

The following are the principal activities of each meeting of the Committee:

Meeting	***Principal Activities***
December 2012	Approving the financial targets for the incentive plans (STIP, RSU, Options) for the next fiscal year. Conducting the annual performance review of the President and CEO and executive officers. Examining the executive officer salary review proposals. Examining the proposals for amounts payable to executive officers under the Short-Term Incentive Program. Defining senior management objectives for the coming year. Reviewing the Committee's charter and annual work program.
January 2013	Preparing/approving the contents of the disclosure regarding the compensation paid to the most senior executive officers and the members of the Board of Directors via the Management Proxy Circular. Recommending the annual stock option grants and RSU grants. Reviewing, if applicable, the retirement agreements of the President and CEO and other eligible executive officers.

Meeting	*Principal Activities*
April 2013	Proposing the compensation of the members of the Board and its committees. Conducting an annual review of the yields of the employees' pension funds, making recommendations and submitting them to the Board of Directors for approval. Reviewing the performance evaluation policy and process. Examining the proposals for the desirable changes to the overall compensation policy or to certain specific programs. Evaluating the services rendered by the consultant chosen for senior executive compensation and establishing his independence. Take stock of the status of labour relations and collective bargaining.
October 2013	Examining the budget proposals for salary reviews and salary scale increases. Analyzing the preliminary results regarding the achievement of the objectives of our incentive plans for the fiscal year then ending. Examining the proposals for desirable changes to the overall compensation policy or to certain specific programs. Reviewing the succession plan for Transat A.T. Inc. and its subsidiaries.

Risk Oversight

Each year, the Committee reviews and approves the Corporation's compensation policies and practices, taking into consideration any risks associated therewith, as well as each compensation component (base salary, short-term incentives (annual bonuses), long-term incentives (stock options, restricted share units) and retirement benefits) more fully described hereunder. During the review performed in the last fiscal year, the Committee has not identified any risks associated with the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

Moreover, as part of the review of all risks presented to the Corporation's Corporate Governance and Nominating Committee, 67 risks have been identified, 10 of which are related to human resources. Concerning the risk specific to compensation, the Corporation has adopted various measures over the past few years to mitigate this risk: salary surveys, specific analysis of the salary positioning of employees and executives in terms of succession or critical positions, annual review of the short-term and long-term incentives, exceptional stock option grants for certain newly promoted executives, establishment of discretionary bonuses to support special efforts, etc. All these measures facilitate recruiting or reduce the risk that key employees will leave the Corporation.

Each of these 67 risks is presented individually on a roadmap and monitoring of the implementation of the measures is performed in accordance with established priorities. The Committee then reports back to the Board of Directors. The risks and uncertainties that are likely to have a material adverse effect on the Corporation are disclosed quarterly in the financial statements included in the Corporation's Management Discussion & Analysis of the Corporation's financial condition and results of operations. No such risks relate to the Corporation's compensation policies and practices.

The Corporation amended its insider trading guidelines to include a prohibition against participating in a hedge trade that could reduce or limit the economic risk associated with Transat shares or other securities held by an insider or the rights held by an insider to the shares, including, without limitation, outstanding stock options, deferred share units (DSUs), restricted share units (RSUs) or other Transat securities. The prohibited transactions include the purchase of financial instruments, including prepaid variable forward contracts, equity swaps, call options, put options and other derivatives designed to hedge or offset a decrease in market value of Transat's equities.

6.3 *Comparison Group*

The last review of the comparison group was conducted in April 2010. The following selection criteria were used:

- size in terms of sales and stock market capitalization;
- sectors of activity, namely the entertainment, discretionary product, distribution and retail sectors;
- company with several business units: integrated or complex operation, i.e. several subsidiaries operating in different markets;

- geographical scope of operations (Canada-wide and international);
- head office in the province of Québec;
- B2C (Business to Consumer: direct link with the consumer);
- B2B (Business to Business: business link from corporation to corporation).

The following table sets out the comparison group, comprising 20 corporations.

Company	Comparable size	Sector of activity		Several business units	International scope of operations	Head office in Québec	B2C	B2B
		Entertainment, Discretionary	Distribution, Retail					
Air Canada Inc.		X			X	X	X	
Aimia Inc. (Aeroplan)		X		X		X	X	X
Astral Media Inc.		X		X		X	X	X
Canadian Tire Corporation, Limited			X	X			X	
Cascades Inc.	X				X	X		X
Cogeco Inc.		X		X		X	X	X
Corus Entertainment Inc.		X		X			X	X
Cott Corporation		X	X		X			X
Alimentation Couche-Tard Inc.			X		X	X	X	
The Jean-Coutu Group (PJC) Inc.	X		X		X	X	X	
Metro Inc.			X			X	X	
Quebecor Inc.	X	X		X		X	X	
Reitman's (Canada) Limited		X	X			X	X	
Rona Inc.	X	X	X			X	X	
Sears Canada Inc.			X				X	
Torstar Corporation		X		X			X	X
Transcontinental Inc.	X	X		X	X	X	X	X
TransForce Inc.				X		X		X
Uni-Select Inc.		X	X		X	X		X
WestJet Airlines Ltd.	X	X			X		X	

The Committee reviews the composition of our comparison group as needed and updates the total compensation data from this group. The Committee also annually studies general compensation surveys to compare our compensation policies with the generally accepted practices for public companies. Finally, the Committee reviews the positioning of the compensation of the Corporation's executive officers within the comparison group as needed to ensure that it remains appropriate, particularly in view of the evolution of the group's compensation practices and the market in general, and the Corporation's relative financial results.

6.4 *External Advisors*

With respect to the Corporation's compensation policy, the Committee resorts to external advisors, if needed, in order to ensure its efficiency in the achievement of the goals set and competitiveness in relation to the comparison group. Since 2006, the Committee retains the services of advisors from the firm PCI-Perrault Consulting Inc., to advise it on corporate governance and executive compensation. These advisors report to the Committee. Although the advisors from this firm contribute to the Committee's discussions with their expertise and knowledge of compensation and Transat, the decisions are made by the Committee, which remains accountable for them and may consider factors other than those raised by PCI-Perrault Consulting Inc. Occasionally, this firm is solicited by other committees of the Board and by executives to perform assignments other than those mandated by the Committee. PCI-Perrault Conseil Inc. only performs such assignments with the Committee's consent. During fiscal year 2013, PCI-Perrault Conseil Inc. performed assignments concerning senior executive compensation and evaluation of the Board. The total fees paid to PCI-Perrault Consulting Inc. for the services rendered to the Committee and to the Corporate Governance and Nominating Committee during fiscal year 2013 amount to $10,550 and $8,250 respectively (compared to $12,811 and $8,025 in 2012).

6.5 *Total Compensation Components*

The following table sets forth the components of the total compensation for executive officers, the objectives and the criteria for progression or awards of each of the programs:

	Compensation component	Objectives	Compensation period	Short term	Long term	Subject to a performance rule	Criteria
FIXED	**Base salary**	• Attract and retain. • Recognize the level of responsibility, competencies and contribution to the Corporation's results.	1 year	x			Level of the position, competencies and individual contribution
FIXED	**Benefits (group insurance)**	• Cover adequately (illness, disability, death). • Competitive benefits to promote retention.	1 year	x			According to the competitive market data; some directly related to the salary
FIXED	**Perquisites**	• Facilitate access to certain services to favour prioritization of the Corporation's business.	1 year	x			Related to the level of the position
FIXED	**Retirement programs:** ▪ Defined contribution plan	• Offer competitive total compensation (attract, build loyalty).	Benefits accumulate with years of service		x		Related to the level of the position
FIXED	▪ Executive retirement agreements	• Offer competitive total compensation (attract, build loyalty).	Benefits accumulate with years of service		x		Related to the level of the position; the value increases with years of service
VARIABLE	**Short-term incentive opportunity ("STIP")** ▪ Short-term incentive program ("STIP")	• Motivate senior executives to achieve and exceed corporate financial goals.	1 year	x		x	Adjusted net earnings of Transat and earning before interest and tax of the subsidiary
VARIABLE	▪ Special bonus for senior executives	• Motivate senior executives to achieve and sustain exceptional performance.	Payment of the bonus spread over 3 years, potentially 5 years.	x		x	Adjusted net earnings of Transat
VARIABLE	**Long-term incentive opportunity** ▪ Stock options	Promote share ownership and: • Motivate to increase the price per share. • Promote retention through vesting conditions.	10-year term, with 1/3 of options vesting after 1 year, 1/3 after 2 years, 1/3 after 3 years.		x	x	Adjusted net earnings of Transat and price per share
VARIABLE	▪ Restricted share units ("RSUs")	• Motivate to achieve operational performance targets and create economic value. • Promote retention through vesting conditions.	Vested at the end of the 3-year cycle after the award.		x	x	Adjusted net earnings of Transat

VARIABLE	▪ Stock ownership incentive plan	• Support the achievement of shareholding guidelines. • Stimulate executive interest in increasing the price per share. • Promote executive retention.	1/3 vesting on January 10 after the end of the plan year in which the shares are awarded, 1/3 vesting on January 10 of the 2nd and 3rd years after the year of the award.		x		Individual investment and price per share

The choice of adjusted net earnings as a performance criterion under the STIP, Options and RSU plans has several objectives:

- Strategic objective: The adjusted net earnings is an objective directly aligned with Transat's principal strategic short and medium term objectives, i.e. returning to and maintaining profitability.
- A clear message to employees: By using an adjusted net earnings objective in our incentive compensation plans, the clear message conveyed to Transat executives and employees is that returning to and maintaining profitability is the priority and will be beneficial for the Corporation, for the shareholders and for themselves. Therefore, the decisions and behaviour of all employees aim towards the same objective.
- Value for shareholders: Returning to and maintaining profitability will be conducive to an increase in Transat's share price and will thus generate greater value for the shareholders.
- Sustained performance: The use of adjusted net earnings for Option vesting and of average adjusted net earnings for RSU vesting is beneficial for long-term profitability, which will ensure Transat's sustainability.
- Lower payroll: No compensation will be paid under these three plans if Transat does not achieve a minimum profit level; the payroll costs are therefore substantially lower when Transat generates low profits.
- Risk management of our compensation programs: The adjusted net earnings objective ensures that the amounts disbursed under these plans are consistent with the Corporation's financial performance.

6.5.1 *Base Salary*

For the purposes of internal equity, our senior management positions are first evaluated and classified into six different salary grades based on responsibilities, qualification requirements and other conditions specific to each position. Our senior management positions are compared to other similar senior management positions in corporations making up our comparison group, and the salary data gathered are then analyzed to establish the median salaries in the market. Salary scales with minimums and maximums are then developed based on the average of the market medians. Finally, the individual incumbents' salaries are positioned in the scales according to their competencies and experience in the position.

The scales are reviewed annually according to the market movements. Individual salaries are adjusted annually, depending on the evaluation of the contribution to the Corporation's results and the evolution of the incumbent's competencies, as well as his positioning in the salary scale. The executive officers' base salaries are reviewed and recommended by the Committee, usually in the first quarter of each fiscal year.

The salaries of the Named Executive Officers, including the President and Chief Executive Officer, Jean-Marc Eustache, were not increased as at January 1, 2013, except for Mr. Pétrin, who was entitled to a 4% salary review, consistent with the market comparison done in 2010. Ms. Guérard, who was not one of the Named Executive Officers before fiscal year 2013, received a 39.5% salary increase after her promotion to General Manager of Transat Tours Canada.

In December 2013, it was decided that the Named Executive Officers would be entitled to a salary review as at January 1, 2014, ranging between 1.25% and 2.50%, depending on their respective position in their salary scale. Consequently, Mr. Eustache and Mr. De Montigny will be entitled to a 1.25% salary review, Mr. Godbout and Ms. Guérard to 1.75%, and Mr. Pétrin to 2.50%.

6.5.2 *Employee Benefits Program*

The objective of the employee benefits program, to which senior executives are also eligible, is to ensure a target compensation value positioned at the median of the comparison group. The executive group insurance plan includes life insurance, medical insurance, dental insurance and disability insurance. This plan is designed to provide adequate protection to executive officers and their families in the event of death, disability, illness, etc. The design of the employee group insurance plan is based on four guiding principles: financial security, flexibility of choice, simplicity and control of the increase in costs. No change was made to Transat's group insurance plan in 2013.

6.5.3 *Perquisites Program*

The perquisites program provides for the allocation of a dollar value expressed as a percentage of the base salary (which varies between 8% and 10% according to the position held), in order to cover certain business expenses. This amount is granted instead of any other allowance that could be paid or any reimbursement that could be made, such as an automobile allowance, reimbursement of club membership fees, reimbursement of financial services fees, etc.. Regarding perquisites, under the terms of Transat's total compensation policy, it is expressly stipulated that the dollar value of perquisites should be about equal to the comparative market average.

No change was made to the Corporation's perquisites program during fiscal year 2013.

6.5.4 *Retirement Plans*

- ***Defined Benefit Plan***

Since 1999, the Corporation's executive officers are eligible for the defined benefit pension plan, under individual retirement agreements, all of which have similar parameters.

Under the terms of the defined benefit pension plan, the participant is eligible, starting at the age of 65 and for the remainder of his or her life, to a monthly retirement benefit. The amount of this benefit is established by multiplying a percentage, which varies based on the number of credited years of service, by the "final average salary 5 years", which is equal to the sum of the base salary and the target bonus under the short-term incentive program. The amount of the retirement benefit payable by the Corporation is reduced by the sum of the following benefits:

- the retirement benefit payable upon turning 65 under the Transat's retirement plan for non-unionized employees, which is the actuarial equivalent value of the amount accrued by the participant on the date of his or her retirement under such plan, consisting of a group registered retirement savings plan ("**RRSP**") and a deferred profit sharing plan ("**DPSP**"); and

- 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 defined benefit pension plan also contains the following terms and conditions:

- the participant may elect early retirement between the ages of 55 and 65. In the event that early retirement is taken between the ages of 55 and 60, the retirement benefit 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 benefit. Furthermore, for participants with over 20 eligible years of credited service, if early retirement is taken upon the date where the sum of age attained plus eligible years of credited service equal 85 (provided the participant is at least age 55), no reduction applies to the retirement benefit;

- payment to the participant of the retirement benefit is conditional on his or her continuous and uninterrupted participation in the group RRSP for non-unionized employees of Transat until the date of his or her retirement, at the prescribed contribution level required under the terms thereof;

- if the participant ceases to be employed by Transat before the date of his or her retirement, Transat will issue a certificate or promise of payment of the retirement benefit calculated as of his date of termination of employment, but payable only when the participant turns 65, except in the case of dismissal for cause or if the participant ceases his or her participation to the retirement plan, which results in the automatic cancellation of the participant's right to any retirement benefit pursuant to the standard retirement agreement.

All obligations stemming from the retirement benefits are guaranteed by an irrevocable letter of credit held by a third party trustee. This letter of credit may be used subject to very specific conditions.

Retirement benefits constitute an integral part of the overall compensation of our executive officers. In considering the value of the retirement benefits provided to the executive officers, the Committee takes into account the annual service cost, the accrued benefit obligation, as well as the annual benefit that would be available to the executive officer upon retirement.

- ***Defined Contribution Plan***

The executive officers must first participate in the Transat retirement plan for non-unionized employees, which includes an employee contribution paid to the RRSP and an employer contribution paid to the DPSP. For senior management positions, the contributions are 2% and 2% respectively, not exceeding the maximum contributions permitted by the *Income Tax Act* (Canada).

No change was made to the Corporation's executive retirement plans during fiscal year 2013.

6.5.5 Short-Term Incentive Program ("STIP")

The objectives of the STIP are to:

- ✓ motivate the employees and executives of the Corporation and its subsidiaries to support the growth of sales and profit margins;
- ✓ strengthen the connection between compensation and corporate profitability;
- ✓ offer competitive compensation aligned with Transat's compensation philosophy, namely to encourage and reward success through collective work.

The financial indicator on which the bonuses are based is the adjusted net earnings of Transat A.T. Inc., defined so as to exclude unusual items and expressed as a percentage of the revenue.

For fiscal year 2013, the target was adjusted net earnings equivalent to 1.50% of the revenue, i.e. $53,737,000.

The following are the main points of the STIP:

- the bonus calculation includes two financial targets with a 50%-50% weighting, namely Transat's adjusted net earnings and the subsidiary's earnings before interest and tax (EBIT);

- if the parent company Transat A.T. Inc. does not reach the adjusted net earnings threshold equivalent to 0.75% of the revenue, no bonus is paid.

An amendment to the STIP program was approved by the Board for fiscal year 2013. Previously, if a subsidiary did not achieve the earnings before interest and tax (EBIT) threshold that had been set for it, no bonus was paid to that subsidiary's participants. From now on, if the subsidiary does not achieve its EBIT threshold but Transat has achieved its adjusted net earnings threshold, the subsidiary's employees are entitled to receive the Transat portion of their bonus, if applicable.

The financial targets based on which the bonuses are calculated at year end and paid if the predetermined levels are achieved, are recommended by the Committee and approved by the Board at the beginning of each fiscal year. At the end of the year, the Committee reviews the financial results achieved in relation to the targets established at the beginning of the year and recommends the bonuses payable for the fiscal year concerned for approval by the Board.

For fiscal year 2013, Transat exceeded its adjusted net earnings target, thus allowing that bonuses be paid to its eligible employees. For all the Named Executive Officers, the bonus calculation formula is as follows:

Base salary	x	Target bonus 37.5%, 45%, 50% or 75% depending on the position level	x	Achievement of the financial target*	=	Bonus

*Applicable financial result:

	1. Corporate (Transat AT)		2. Subsidiaries	
	Performance criterion	Weighting	Performance criterion	Weighting
Jean-Marc Eustache President and Chief Executivce Officer,Transat A.T.	Adjusted net earnings (ANE) of Transat AT	100%	-	-
Denis Pétrin VP Finance and Chief Financial Officer	Adjusted net earnings (ANE) of Transat AT	100%	-	-
Daniel Godbout Senior VP, Transport and Yield Management	Adjusted net earnings (ANE) of Transat AT	50%	Earnings before interest and tax (EBIT) of the Canadian tour operator	50%
Annick Guérard General Manager TTC	Adjusted net earnings (ANE) of Transat AT	50%	Earnings before interest and tax (EBIT) of the Canadian tour operator	50%
André De Montigny VP, Corporate Development	Adjusted net earnings (ANE) of Transat AT	100%	-	-

Since fiscal year 2013, unionized employees have also been eligible for the STIP, pursuant to letters of understanding on the deferment of salary increases signed by the union representatives. The effect in this case was to replace a fixed salary increase with a payment under the STIP. The performance criterion used is Transat AT's adjusted net earnings. The amount paid to the unionized employees represents approximately 38.4% of the total amount disbursed under the STIP in 2013.

At the meeting of the Board held on January 8, 2014, it was decided that the adjusted net earnings targets for fiscal 2014 would be the following: (i) adjusted net earnings equivalent to 1.50% of the revenue, (ii) if the adjusted net earnings reach 0.75%, the bonus paid will be equal to 25% of the target bonus, (iii) if the Transat A.T. Inc. 0.75% adjusted net earnings threshold is not reached, no bonus will be paid, and (iv) if the adjusted net earnings reach 2.50% or more, the bonus paid will be the maximum bonus.

- **Determination of the Bonus of the President and Chief Executive Officer**

The bonus of the President and CEO, like that of the other Named Executive Officers, is determined according to the same formula as above. For fiscal year 2013, when the financial criteria calculated at the end of the fiscal year reaches the budgeted target (i.e. adjusted net earnings of 1.50% of the revenue), the bonus of the President and CEO is paid at the target, namely the equivalent of 75% of the base salary. When the adjusted net earnings reach 2.50% or more, the bonus paid is the maximum bonus, namely the equivalent of 150% of the base salary, and when the adjusted net earnings reach 0.75%, the bonus paid is equal to 25% of the target bonus, i.e. 18.75% of the base salary. When the threshold of 0.75% of adjusted net earnings for Transat A.T. Inc. is not reached, no bonus is paid to the President and CEO.

For fiscal year 2013, the financial target was exceeded, since the adjusted net earnings reached 1.72% of revenues.

For fiscal year 2014, the adjusted net earnings targets described above that are applicable to the Named Executive Officers will also be used to determine the bonus of the President and CEO.

The following table shows, for each Named Executive Officer, the potential bonuses (minimum, target and maximum) expressed as a percentage of base salary, and the actual bonuses paid for fiscal year 2013:

Name	Minimum bonus opportunity (% of base salary)	Target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)	Bonus paid for FY 2013 ($)
Jean-Marc Eustache	0	75%	150%	911,838
Denis Pétrin	0	50%	100%	244,440
Daniel Godbout	0	45%	90%	230,108
Annick Guérard	0	45%	90%	202,164
André De Montigny	0	37.5%	75%	163,620

- **Special Bonus for Executive Officers**

At the meeting held on January 13, 2010, a special bonus plan was approved by the Board of Directors. This plan is in continuity with the STIP, because it depends on the same financial target and improves the STIP opportunity. The purpose of this special plan is to motivate the executive officers to ensure that Transat achieves an exceptional profit margin and, above all, that it maintains this margin year after year. This plan is essentially intended for position levels 1 to 6, namely the levels of President and Chief Executive Officer, Vice-President, Finance and Chief Financial Officer, Presidents of subsidiaries, and corporate Vice-Presidents.

This plan operates on a three-year cycle and the bonus payments can be spread over a maximum of five years, i.e. two years after the end of the cycle. A bonus is earned and a reserve is constituted when Transat A.T. Inc. realizes adjusted net earnings of 3% or more. Half of the reserve is paid to the participants at the end of each year of the cycle. If, during the cycle, Transat A.T. Inc. does not reach a performance threshold (adjusted net earnings) of 2%, the reserve is reduced by 50%. The balance of the reserve is paid at the end of the second year after the end of the three-year cycle.

When the 3% target for adjusted net earnings is achieved, the value of the bonus earned for a year corresponds to 50% of the salary of each of the eligible executive officers. In case of achievement of the adjusted net earnings of 3.5% or more, the bonus earned corresponds to 100% of the salary of each of the Named Executive officers. The bonus earned under this special bonus plan is added to the bonus earned under the STIP.

No bonus was earned under this plan since its implementation.

6.5.6 *Long-Term Incentive Program*

The long-term incentive plans established by the Corporation are designed to motivate executives to achieve long-term goals and thus contribute to the increase in the value of the capital invested in the Corporation by the shareholders. Their objective is also to ensure a target compensation value that serves to position the total compensation (as defined hereinabove) at the median of our comparison group when all targeted results are achieved, with the potential to exceed the median of the comparison group if results are exceptional.

The following table sets forth, for each Named Executive Officer (as defined on page 50 of this Circular), the guidelines relating to the estimated value of each component of the long-term incentive program:

NAME	ANNUAL LONG-TERM INCENTIVE OPPORTUNITY (1)		
	OPTION GRANTS	RSU AWARDS (2)	SHARE AWARDS (3)
	Par value (a) = [# of options x price per share on date of grant (2)] / salary	Par value (b) = [# of RSUs x price per share on date of award (2)] / salary	Par value (c) = [# of shares x price per share on date of award (3)] / salary
Jean-Marc Eustache	175.0%	30.0%	0.0%
Denis Pétrin	87.5%	15.0%	10.0%
Daniel Godbout	75.0%	10.0%	10.0%

NAME	ANNUAL LONG-TERM INCENTIVE OPPORTUNITY (1)		
	OPTION GRANTS	RSU AWARDS (2)	SHARE AWARDS (3)
	Par value (a) = [# of options x price per share on date of grant (2)] / salary	Par value (b) = [# of RSUs x price per share on date of award (2)] / salary	Par value (c) = [# of shares x price per share on date of award (3)] / salary
Annick Guérard	75.0%	10.0%	10.0%
André De Montigny	75.0%	10.0%	10.0%

(1) The annual grants and awards under the long-term incentive program are determined according to the par value contemplated for the level of the position.

(2) The price per share for the options granted and RSUs awarded is determined according to the weighted average-trading price of Transat voting shares on the Toronto Stock Exchange for the five trading days preceding the date of grant or award. (See the "Stock Option Plans" and the "Restricted Share Unit (RSU) Plan" sections below).

(3) The value of the shares awarded under the permanent stock ownership incentive plan depends on the value invested by the participant in the Share Purchase Plan for the Benefit of All Employees or Executives, subject to a maximum for the level of the position expressed as a percentage of the salary. The price upon the award is equal to the purchase price of the shares on the secondary market. (See the "Stock Ownership Incentive Plan" section below.)

Each long-term incentive plan in place at Transat and the option-based and share-based awards to the Named Executive Officers during fiscal year 2013 are described below.

- **Performance-Based Stock Option Plans**

  The 2009 Plan

On January 14, 2009, the Board of Directors adopted the 2009 Stock Option Plan for officers and employees (the "**Beneficiaries**") of the Corporation (the "**2009 Plan**"), which was approved by the shareholders on March 11, 2009. The 2009 Plan complies with the rules and policies of the Toronto Stock Exchange (the "**TSX**"). Under the 2009 Plan, the Board of Directors may grant Options for issuance of up to a maximum of 1,945,000 voting shares of the Corporation, which represent 5.05% of the issued and outstanding Voting Shares of the Corporation as at October 31, 2013.

The purpose of the 2009 Plan is to attract, retain and motivate the Beneficiaries by means of the grant of Options. The 2009 Plan allows the Beneficiary of each Option to purchase one Voting Share for each Option held. The price at which each Voting Share may be subscribed by the New Beneficiaries upon the exercise of Options granted pursuant to the 2009 Plan is determined by the Board of Directors or, as the case may be, its Executive Committee, as to be equal to the weighted average trading price of the Voting Shares of the Corporation on the TSX for the five (5) trading days preceding the grant of the Options and during which transactions have been effected on the Voting Shares of the Corporation.

The Board of Directors of the Corporation or, as the case may be, its Executive Committee, upon recommendation of the Committee, may determine, from time to time and in its entire discretion, which Beneficiaries will be granted Options, the grant date or dates, the date on which the Options may vest, as well as the frequency at which each of the Beneficiaries may exercise their Options. Prior to December 11, 2013, the Options granted under the 2009 Plan expired no later than ten (10) years after the grant date, or are cancelled early if the Beneficiary of the Options ceases to hold a position with Transat or one of its subsidiaries or dies (see *Recent Grant of Stock Options* on page 44). Also, in circumstances where the end of the option period of an Option falls within a blackout period, or within ten business days after the end of same, the option period of such Option shall be extended so that its expiration date falls on the tenth business day after the end of such blackout period.

Granting of Options under the 2009 Plan is subject to the following limitations:

- The number of Options granted within one year cannot exceed 2% of the issued and outstanding Voting Shares of the Corporation.
- The number of Voting Shares (i) issuable to insiders (within the meaning of the *Securities Act* (Québec)), at any time, and (ii) that are issued to these insiders, within any one-year period, under the 2009 Plan and all of the other share-based compensation plans of the Corporation, cannot exceed ten percent (10%) of the number of issued and outstanding Voting Shares of the Corporation.

- The number of Voting Shares which may be purchased by any person (including insiders and their associates within the meaning of the *Securities Act* (Québec), within any one-year period under the 2009 Plan and all of the other share-based compensation plans of the Corporation must not exceed five percent (5%) of the issued and outstanding Voting Shares of the Corporation.

Vesting of the Options granted under the 2009 Plan is subject to a performance condition determined by the Board of Directors at the time of each grant. Since the adoption of the 2009 Plan, the performance condition used is an adjusted net earnings target expressed as a percentage of the Corporation's revenues. When the adjusted net earnings target is not met, the Options are not vested and the Beneficiary may not exercise them.

Under the 2009 Plan, the Board of Directors may, without the shareholder's approval, make certain amendments of the following nature: (i) minor or technical amendments to any provision of the 2009 Plan; (ii) corrections to any provision of the 2009 Plan containing an ambiguity, defect, error or omission; or (iii) changes to the Option termination provisions that do not entail an extension beyond the original expiry date. However, the following amendments require the approval of a majority of the shareholders present at a duly called shareholders' meeting:

(a) any increase to the maximum number of Voting Shares issuable under the 2009 Plan (other than for standard anti-dilution purposes);

(b) the reduction of the subscription price of the Options held by an insider (other than for standard anti-dilution purposes);

(c) the extension of the term of an Option held by an insider; and

(d) the extension of the blackout expiration term.

Upon exercise of his Options, the Beneficiary must be a director, officer or employee of the Corporation or its subsidiaries. However, within three months following his voluntary termination of employment or the date on which he ceases to be a director of the Corporation or of one of its subsidiaries, the Beneficiary may exercise the Options then vested to him. In the event of termination of employment following his retirement or permanent disability, termination of employment without serious reason, or death, dismissal or layoff of the Beneficiary, the Beneficiary, heirs or legal representatives, as the case may be, may, within six months following such event, exercise the Options that were vested to him at the date of such event. Options not exercised prior to the expiry of such delays will become null and void. In the event of termination of employment for serious reason, the Options granted will become null and void as of the date of termination of employment.

The Options may not be assigned, traded or pledged by the Beneficiaries. The Options may however be assigned by will pursuant to the provisions of the laws of succession

Furthermore, there is no financial assistance available to the Beneficiaries under the 2009 Plan.

Notwithstanding the foregoing, in case of a take-over bid or exchange bid for Transat shares, within the meaning of the *Securities Act* (Québec), providing for the purchase of shares or securities conferring direct or indirect ownership of 20% or more of the votes that may be cast to elect Transat's directors (the "**Offer**") or of an acquisition of control, any Option granted but not yet vested may be exercised. Moreover, in such a case, any Option granted, regardless of whether or not it has vested, may be forced to be exercised by the Board of Directors. Unless a contrary decision is made by the Board of Directors, in the case of an Offer, these provisions are only applied if the Offer is successful so that the exercise of any unvested option or the exercise forced by the Board of Directors is conditional on the Offer's success.

For the purposes of the 2009 Plan, an acquisition of control occurs when an event or series of events triggers a *de facto* control of Transat, either directly or indirectly, through the ownership of Transat's securities, by way of agreement or in any other manner whatsoever. Subject to any contrary decision from the applicable regulatory authorities, and without limiting the generality of the foregoing, the following events shall be considered to be an acquisition of control: (i) if a person proceeding by way of a public offering in conformity with the provisions of the *Securities Act* (Québec) becomes the owner or beneficial owner, directly or indirectly, of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (ii) if a person, through transactions on the stock markets, by way of private sale or by any other manner may directly or indirectly acquire ownership or beneficial ownership of a number of our securities which represents 20% or more of the voting rights for the election of our directors; (iii) if individuals who constitute our Board of Directors on March 19, 2003, and any new director whose nomination by the Board of

Directors or proposed nomination to the election of the Board of Directors by our shareholders was approved by a vote of at least three-quarters of the directors comprising the incumbent board as at March 19, 2003, or whose nomination or proposed election by our shareholders was approved in such a way subsequently, cease for any reason to constitute at least a majority of the members of the Board of Directors; (iv) if our assets representing 50% or more of the book value of all our assets, as determined as at the date of the Corporation's most recent audited financial statements, are sold, liquidated or otherwise assigned; (v) if a majority of voting securities allowing the election of the directors of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vi) if substantially all of the assets of Air Transat A.T. Inc. or Transat Tours Canada Inc. are sold or assigned; (vii) if assets of Transat representing 10% or more of the book value of all the assets of Transat or if securities entitling the holder thereof to exercise 10% or more of the aggregate voting rights for the election of the directors of Transat, have been transferred pursuant to a take-over, seizure or dispossession, resulting or related to: (a) nationalisation, expropriation, confiscation, coercion, force, constraint or any other similar action, or (b) introduction of a tax, assessment, or any other charge or levy for seizure; or (viii) any other event that our Board of Directors may determine from time to time, subject to the applicable regulatory approvals.

The Former Plan

On December 5, 1995, before the adoption of the 2009 Plan, the Corporation established a stock option plan for directors, officers and employees, which was amended from time to time (the "**Former Plan**"). The Former Plan allows Transat to grant stock options (the "**Options**") to directors, officers and employees of the Corporation and its subsidiaries in which it holds at least 50% of the Voting Share capital (the "**Beneficiaries**"). Under the Former Plan, the Board of Directors may grant Options for issuance of up to a maximum of 7,715,847 Voting Shares of the Corporation.

Except for the following conditions, the Former Plan is identical to the 2009 Plan (including the provisions governing the amendment of its terms and conditions with or without the shareholders' approval):

- For the Options granted prior to January 8, 2014, vesting of the Options granted was not specifically subject to a performance condition. Only time determined the vesting of the Options granted.

- There is no rule stipulating that the number of Options granted within one year may not exceed 2% of the issued and outstanding shares of the Corporation.

- The Options granted in the past under the Former Plan which have not yet been exercised continue to be governed by the terms of the Former Plan. No Options were granted under the Former Plan during fiscal year 2013.

On December 13, 2013, the Board of Directors of the Corporation amended the Former Plan in order to subject the Options available for grant purposes under the Former Plan to the same terms and conditions as those contained in the stock option grant agreement under the 2009 Plan. This includes the subjection of these Options to a performance rule identical to that of the 2009 Plan, namely an adjusted net earnings target expressed as a percentage of the Corporation's revenues. Consequently, all the Options granted on January 8, 2014, have a lifespan limited to 7 years, and all Options, including those granted under the Former Plan, are subject to the same performance rule. Subject to the foregoing, no other amendment was made to the Corporation's stock option plans during 2013. No Options were granted under the Former Plan during fiscal year 2013. The Options granted in the past under the Former Plan which have not yet been exercised continue to be governed by the terms of the Former Plan.

Option Grant Process

The annual grant of Options is part of the annual review of executive compensation performed by the Committee. The number of Options granted is established according to the position and base salary of each participant and the exercise price. The Options granted made previously and the number of Options outstanding on the date of the grant are not taken into account in establishing the grants for the year. The number of Options granted is established by multiplying the grant factor applicable to the level of the position occupied according to the grant policy approved by the Board of Directors, by the participant's salary, and dividing the product by the exercise price on the date of the grant. In extraordinary cases, Options may be granted upon new hires or in exceptional situations within the context of succession management for the positions eligible for grants of options. The list of Beneficiaries of annual grants proposed is presented for discussion to the Committee, which then makes its recommendation at the next Board meeting for final approval.

Certain executive officers of the Corporation are involved in the management of the stock option plans. The Vice-President, Human Resources and Talent Management is responsible for providing the Committee with data on the market trends related to compensation and, more specifically, with respect to long-term incentive value and total compensation. He also works in collaboration with the Committee to define the elements of executive compensation, including eligibility for the STIP and the long-term incentive plan, including the stock option plans, and determine the size and conditions of the bonuses and long-term incentive awards. He then prepares the grants for presentation to the Committee and monitors the option reserve on a monthly basis, including the Options awarded, exercised, cancelled and expired. The Vice-President, Finance and Chief Financial Officer participates, jointly with the other executive officers, in preparing the financial budgets, which are submitted to the Board of Directors for approval and which constitute the base of the financial performance goals on which the bonuses are based. He is also in charge of overseeing the financial and accounting aspects of the stock option plans. The Vice-President, General Counsel and Corporate Secretary is responsible for the legal and regulatory aspects of the stock option plans, including the filing of insider declarations and other reports with the regulators. Any proposed change to the annual incentive plan and the stock option plans is discussed with the President and Chief Executive Officer and then with the Committee, which chooses, as it sees fit, to recommend approval of the change to the Board of Directors and, as needed, to the shareholders.

Option Grants during Fiscal year 2013

On January 9, 2013, 766,620 Options were granted under the 2009 Plan at an exercise price of $6.01, representing 2.0% of the total number of Voting Shares outstanding. Of this number, an aggregate of 450,720 Options were granted to the Named Executive Officers. No Options were granted under the Former Plan during fiscal year 2013. The Options granted under the 2009 Plan will vest, on each vesting date, in accordance with the defined exercise conditions, based on the performance criteria described in the following table:

EXERCISE PERIOD	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE CORPORATION'S REVENUE FOR THE YEAR ENDING OCTOBER 31
Year 2013	$33^{1/3}$%	If equal to or greater than 0.75%
	(carried over to 2016)	If less than 0.75%
Year 2014	$33^{1/3}$%	If equal to or greater than 0.75%
	(carried over to 2017)	If less than 0.75%
Year 2015	$33^{1/3}$%	If equal to or greater than 0.75%
	(carried over to 2018)	If less than 0.75%
Year 2016	$33^{1/3}$% (if tranche carried over from 2013)	If equal to or greater than 0.75%
	(cancellation of $33^{1/3}$% of the Options)[1]	If less than 0.75%
Year 2017	$33^{1/3}$% (if tranche carried over from 2014)	If equal to or greater than 0.75%
	(cancellation of $33^{1/3}$% of the Options)[1]	If less than 0.75%
Year 2018	$33^{1/3}$% (if tranche carried over from 2015)	If equal to or greater than 0.75%
	(cancellation of $33^{1/3}$% of the Options)[1]	If less than 0.75%
Year 2019	All unexercised vested Options[2]	Not applicable
Year 2020	All unexercised vested Options[2]	Not applicable
Year 2021	All unexercised vested Options[2]	Not applicable
Year 2022	All unexercised vested Options[2]	Not applicable

(1) Any option tranche carried over for three years is cancelled if the adjusted net earnings realized by the Corporation during the year of the carry-over are less than 0.75%;
(2) Unexercised vested Options comprise the proportion of the Options vested during the six years after the grant date that are still outstanding.

Status of Outstanding Options

	2009 Plan	Former Plan	Total as of October 31, 2013	Total as of January 8, 2014
Total number of Options granted: *Including Options granted to the Named Executive Officers*	766,620 *450,720*	-- --	766,620 *450,720*	374,374 *197,071*
Options granted as % of the outstanding Voting Shares	2.00%(1)	--	2.00%(1)	0.97%(1)
Total number of outstanding Options	1,693,186	999,358	2,692,544	2,905,255
Outstanding Options as % of the total outstanding Voting Shares	4.40%	2.57%	6.98%	7.6%
Balance available for future grants	251,814	246,547	498,361	177,128

(1) The total number of outstanding shares as at October 31, 2013 is 38,468,487.

The value of the grants of Options to the Named Executive Officers during fiscal year 2013 is in compliance with the guidelines presented above.

Additional information on Options, including the weighted average exercise price of all outstanding Options as at October 31, 2013, may be found in our 2013 Annual Report available on the SEDAR website at www.sedar.com.

Recent Grant of Stock Options

On January 8, 2014, the Board approved the grant of stock options with grant agreements containing the following terms:

- The lifetime of the Options is 7 years;
- The 374,374 Options granted are all subject to a performance rule similar to that of the Plan (2009 Plan).

Accordingly, on January 8, 2014, a total of 262,469 Options were granted under the 2009 Plan at an exercise price of $12.49, and a total of 111,905 Options were granted under the Former Plan, for a total of 374,374 Options, representing 0.97% of the total outstanding Voting Shares. Of this number, a total of 197,071 Options were granted to the Named Executive Officers, representing 0.51% of the total outstanding Voting Shares as at January 8, 2014. All Options granted as at January 8, 2014 have a lifespan limited to 7 years, and all Options, including those granted under the Former Plan, are subject to the same performance rule.

The Options granted under the 2009 Plan and the Former Plan will vest, on each vesting date, the whole in accordance with the defined exercise conditions, based on the performance criteria described in the following table:

EXERCISE PERIOD	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE CORPORATION'S REVENUE FOR THE YEAR ENDING OCTOBER 31
Year 2014	$33^{1/3}$%	If equal to or greater than 0.75%
	(carried over to 2017)	If less than 0.75%
Year 2015	$33^{1/3}$%	If equal to or greater than 0.75%
	(carried over to 2018)	If less than 0.75%

EXERCISE PERIOD	PROPORTION OF OPTIONS GRANTED THAT MAY BE EXERCISED ON EACH VESTING DATE (AROUND MID-DECEMBER OF EACH YEAR)	ADJUSTED NET EARNINGS REALIZED, EXPRESSED AS A PERCENTAGE OF THE CORPORATION'S REVENUE FOR THE YEAR ENDING OCTOBER 31
Year 2016	$33^{1/3}$%	If equal to or greater than 0.75%
	(carried over to 2019)	If less than 0.75%
Year 2017	$33^{1/3}$% (if tranche carried over from 2014)	If equal to or greater than 0.75%
	(cancellation of $33^{1/3}$% of the Options)[1]	If less than 0.75%
Year 2018	$33^{1/3}$% (if tranche carried over from 2015)	If equal to or greater than 0.75%
	(cancellation of $33^{1/3}$% of the Options)[1]	If less than 0.75%
Year 2019	$33^{1/3}$% (if tranche carried over from 2016)	If equal to or greater than 0.75%
	(cancellation of $33^{1/3}$% of the Options)[1]	If less than 0.75%
Year 2020	All unexercised vested Options[2]	Not applicable

(1) Any option tranche carried over for three years is cancelled if the adjusted net earnings realized by the Corporation during the year of the carry-over are less than 0.75%.

(2) Unexercised vested Options comprise the proportion of the Options vested during the six years after the grant date that are still outstanding.

- **Performance-Based Restricted Share Unit (RSU) Plan**

The objective of the Corporation's restricted share unit plan ("**RSU Plan**") is to attract and retain competent people to hold positions as executive officers and executives of the Corporation and its subsidiaries, and to promote harmonization of the interests of the executive officers and executives with those of the shareholders of the Corporation.

The number of restricted share units ("**RSUs**") awarded to each participant is equal to a percentage of base salary divided by the weighted average trading price of the Corporation's Voting Shares on the TSX for the five trading days preceding the date of award.

RSUs vest to each participant at the end of a three-year cycle based on the achievement of a financial performance criterion. For the cycle ended in 2013 (2010-2013 cycle) and for the cycles that will end in 2014, 2015 and 2016, the financial performance criterion is the average adjusted net earnings that will be achieved for the three-year cycle.

- ✓ All awarded RSUs vest upon the achievement of an average adjusted net earnings target over a three-year cycle.
- ✓ No RSU vests if the return is lower than an average adjusted net earnings threshold over a three-year cycle.
- ✓ The vesting percentage is prorated linearly between defined milestones.

For each vested RSU, participants are entitled to receive a cash payment from Transat equivalent to the weighted average trading price of the Voting Shares on the TSX for the five trading days preceding the ending date of the cycle multiplied by the number of RSUs that have vested during the cycle. The RSU plan contains change of control provisions that provide for the accelerated vesting of the RSUs in certain circumstances.

No cash payment was made for the 2010-2013 cycle, which ended on October 31, 2013, since the financial performance criterion set for this cycle was not achieved. For this cycle, vesting and the performance criterion were as follows:

Average adjusted net earnings realized (2010-2013), expressed as a % of the Corporation's revenues for the year ending October 31	Vesting %
If less than 1.0%	0%
If equal to 1.0% (threshold)	25%
If equal to 1.25%	50%

Average adjusted net earnings realized (2010-2013), expressed as a % of the Corporation's revenues for the year ending October 31	Vesting %
If equal to 1.50%	75%
If equal to or greater than 1.75% (target)	100%

RSUs Awarded during Fiscal year 2013

During fiscal year 2013, 458,488 RSUs were awarded and may vest if the average net adjusted earnings target is achieved for the three-year cycle that will end in January 2016. Of this number, an aggregate of 60,767 RSUs were awarded to Named Executive Officers. The RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2012-2015), expressed as a % of the Corporation's revenue for the year ending October 31	Vesting %
If less than 0.75%	0%
If equal to 0.75% (threshold)	25%
If equal to 1.00%	50%
If equal to 1.25%	75%
If equal to or greater than 1.50% (target)	100%

The vesting percentage is prorated linearly if the adjusted net earnings realized fall between two of the levels of performance described above.

Recent RSU Award

On January 8, 2014, 218,113 RSUs were awarded and may vest if the adjusted net earnings target is achieved for the three-year cycle that will end in January 2017. Of this number, an aggregate of 31,630 RSUs were awarded to Named Executive Officers. These RSUs may vest according to the following parameters:

Average adjusted net earnings realized (2013-2016), expressed as a % of the Corporation's revenue for the year ending October 31	Vesting %
If less than 0.75%	0%
If equal to 0.75% (threshold)	25%
If equal to 1.00%	50%
If equal to 1.25%	75%
If equal to or greater than 1.50% (target)	100%

- ***Stock Ownership Incentive Plan***

The share purchase plan put in place for executive officers, the "**Transaction Plan**", is part of the long-term variable compensation of the Corporation's executive officers. By this plan, Transat seeks to incite its executive officers to become and remain shareholders of the Corporation, stimulate their interest to increase the price of the Corporation's shares and promote their retention. The objective of the stock ownership incentive plan is also to encourage the participants to meet or exceed the shareholding guidelines adopted by the Corporation by awarding each eligible executive officer shares for which the total cost of purchase is equal to the percentage of salary invested by the said executive in the share purchase plan.

On June 21, 1999, our Board of Directors adopted the initial Transaction Plan. On October 19, 2004, our Board of Directors amended this plan with respect to eligibility and frequency of subscription. Further, on January 14, 2005, our Board of Directors extended the initial term of the plan for an additional five years. On December 14, 2006, the Transaction Plan was further amended in order to introduce detailed amending provisions to such plan as required under the new rules of the TSX. These amendments were approved by the shareholders on March 14, 2007. Finally, on October 29, 2008, the Board of Directors renewed the Transaction Plan for an additional term of five years under the same terms and conditions as the previous plan.

Accordingly, during the additional term above-mentioned, the executive officer who participates in the share purchase plan up to the maximum allowed annually, which is equal to 5% or 10% of his/her salary depending on the position held, is awarded by Transat a number of Voting Shares whose total purchase price on the secondary market is equal to the aforementioned percentage of salary contributed. Shares purchased on the market with employee contributions are discounted 10%.

One third of the Voting Shares so awarded by Transat shall vest to each eligible executive officer on January 10 following the year of the award, the second January 10 following the year of the award and the third January 10 following the year of the award, provided the executive officer holds on to all Voting Shares subscribed for under the share purchase plan at each of these dates. In the event that the eligible executive officer ceases to occupy his or her position, retires or in the event that he or she dies or becomes permanently disabled, the said executive officer or his or her assigns, as the case may be, shall become the owner of the awarded Voting Shares vested to him or her on the date of his or her termination of employment or on the date of his or her death. The Voting Shares awarded by Transat do not confer any rights to the eligible executive officer prior to vesting.

However, in the event of a change of control of Transat, any eligible executive officer will acquire, automatically and in advance, the right to those shares awarded but not yet vested on the date of the said change of control, provided that on such date he or she still holds the same number of shares subscribed for under the share purchase plan corresponding to each award.

As at October 31, 2013, an aggregate of 41,699 shares having an approximate aggregate value of $264,640 had been awarded to the executive officers of the Corporation under the Transaction Plan. Of that number, 3,555 shares vested on January 10, 2013, 13,900 vested on January 10, 2014, 13,900 will vest on January 10, 2015, and 10,344 will vest on January 10, 2016.

The Transaction Plan is directly tied to the Share Purchase Plan for the Benefit of all employees or executives of Transat as regards the total number of shares that may be subscribed for or are issuable to a single person or to an insider of Transat.

- ***Deferred Share Unit Plan***

Following the review of our long-term incentive program in 2007, awards of deferred share units ("**DSUs**") to executive officers under the deferred share unit plan were discontinued effective November 1, 2006. Dividend equivalents, when applicable, are converted into additional DSUs according to the terms and conditions of the plan for executive officers who held DSUs before the awards ceased.

6.5.7 Minimum Shareholding Requirements for the Named Executive Officers

The shareholding guidelines adopted by the Corporation provide that executive officers (levels 1 to 6) must hold, no later than at the end of the five-year period following their appointment to a senior management position, the number of Voting Shares or DSUs with a value corresponding to a specific multiple of their annual base salary. The table below indicates the minimum shareholding multiple applicable to each Named Executive Officer. In the event that an executive officer is promoted to a higher position during or subsequent to the five-year period following his appointment, the guidelines provide that he then benefits from an additional three-year period effective from the date of his promotion to reach the new minimum shareholding multiple which will then be applicable to him. In addition, it was decided, at the meeting of the Board of January 11, 2012, that the amount used to determine compliance with the executive officers' minimum shareholding requirement will be (i) the cost of acquiring the shares for the executive officer; or (ii) the market value of the shares held on October 31 of each year, whichever is the higher.

Name	Minimum shareholding multiple based on the annual base salary	Target amount	Number of shares and DSUs held as at October 31, 2013	Total value held as at October 31, 2013(1)	Compliance with requirement as at October 31, 2013
Jean-Marc Eustache	3 times the annual salary	$2,466,000	412,097	$5,068,793	Yes
Denis Pétrin	1.5 times the annual salary	$499,200	25,955	$319,250	In progress(2)
Daniel Godbout	1.0 times the annual salary	$332,163	78,284	$962,893	Yes
Annick Guérard	1.0 times the annual salary	$300,000	9,462	$116,383	In progress(2)
André De Montigny	1.0 times the annual salary	$295,000	54,704	$672,859	Yes

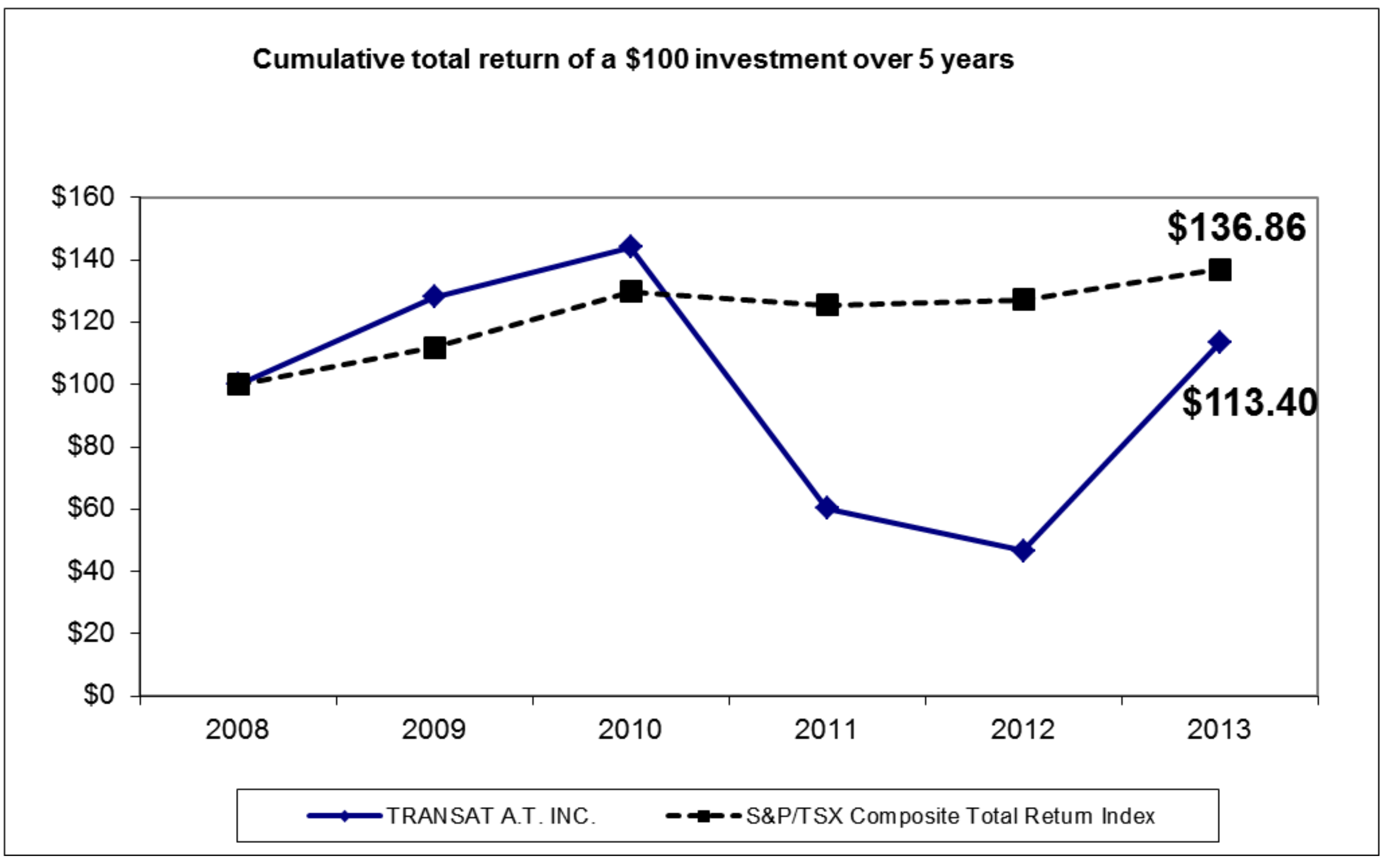
(1) This is the higher of (i) the cost of acquiring the shares and DSUs for the executive officer and (ii) the market value of the shares held on October 31, 2013.

(2) According to the share ownership guidelines adopted by Transat, these senior executives benefit from an additional period from the date of their promotion to achieve the minimum shareholding multiple applicable to them.

Performance Graphs

- **Graph 1**

The following performance graph indicates the cumulative total return over five years, assuming a $100 investment made on October 31, 2008 in Voting Shares of the Corporation (assuming reinvestment of the dividends) and in the S&P/TSX Composite Total Return Index.

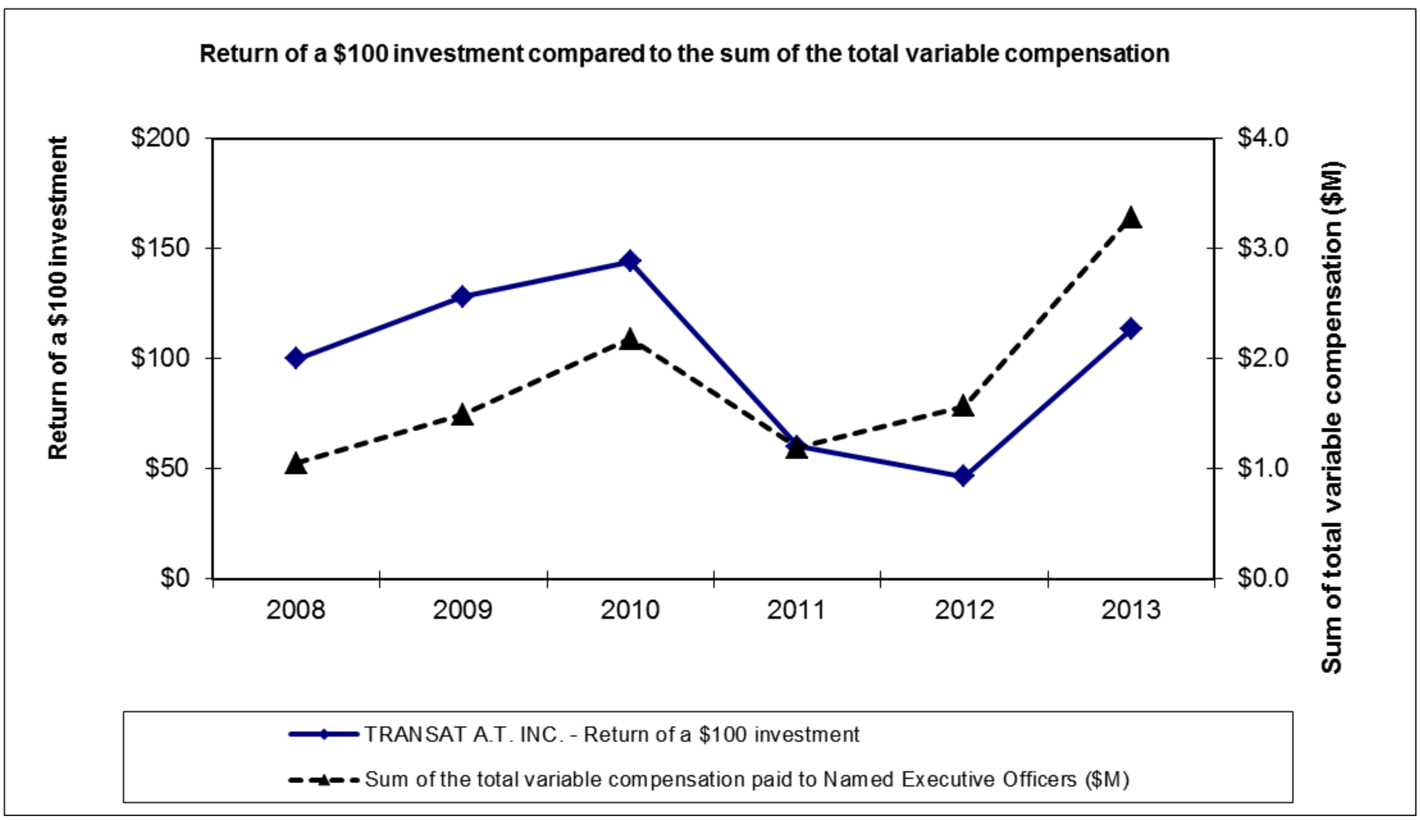


Fiscal year	10-31-2008	10-31-2009	10-31-2010	10-31-2011	10-31-2012	10-31-2013
TRANSAT A.T. INC.	$100.00	$128.12	$144.07	$60.18	$46.70	$113.40
S&P/TSX Composite Total Return Index	$100.00	$111.76	$129.84	$125.50	$127.25	$136.86
$100 investment made on October 31, 2008 (assuming reinvestments of the dividends)						

- **Graph 2**

The following graph indicates the trend of the total variable compensation paid to the Named Executive Officers over the same five-year period as the previous graph. It compares the sum of the total variable compensation paid to the Named Executive Officers (STIP bonuses paid, RSU grants, share awards under the Transaction Plan and Option grants) with the cumulative total return over five years, assuming a $100 investment made on October 31, 2008 in Voting Shares of Transat. This graph shows that when the value of the return on the Voting Shares of Transat decreases, as in 2011, the total variable compensation paid also decreases, thus showing the relationship between the total variable executive compensation and the value of the Voting Shares of the Corporation. Conversely, when the value of the return on the Voting Shares of Transat increases over the previous year, as in 2009, 2010 and 2013, the total variable compensation paid to the Named Executive Officers also increases.

The total variable compensation increase in 2012 compared to 2011 results mainly from an increase in the value of the stock options granted. In January 2011, the Named Executive Officers received a grant corresponding to 2/3 of a regular grant. This situation followed a change in the option granting date from May to January. Since the previous grant had been made in May 2010 and the 2011 grant was made in January, only 8 months had elapsed between the two grants. The 2011 grant thus was weighted to reflect 2/3 of a year, while the following grant in January 2012 represents a full grant.



Fiscal years	10-31-2008	10-31-2009	10-31-2010	10-31-2011	10-31-2012	10-31-2013
TRANSAT A.T. INC. – Return of a $100 investment	$100.00	$128.12	$144.07	$60.18	$46.70	$113.40
Sum of the total variable compensation paid to Named Executive Officers ($M)	$1.053	$1.495	$2.178	$1.195	$1.573	$3.284
$100 investment made on October 31, 2008 (assuming reinvestment of the dividends)						

6.6 *Summary Compensation Table*

The following table sets forth the information regarding the total compensation paid during each of the last three fiscal years to the President and Chief Executive Officer, the Vice-President, Finance and Administration and Chief Financial Officer and to the three other mostly highly compensated executive officers of the Corporation and its subsidiaries (collectively, the "**Named Executive Officers**"):

NAME AND PRINCIPAL POSITION	FY	SALARY	SHARE-BASED AWARDS		OPTION-BASED AWARDS (3) (4)	SHORT-TERM INCENTIVE PROGRAM COMPENSATION	RETIREMENT PLAN VALUE (5)	ALL OTHER COMPENSATION(6)	TOTAL COMPENSATION
			RSUS (1)	TRANSACTION (2)					
		($)	($)	($)	($)	($)	($)	($)	($)
Jean-Marc Eustache Chairman of the Board of Directors, President and CEO	2013 2012 2011	822,000 822,000 814,200	246,600 246,600 246,600	0 0 0	605,120 651,941 494,951	909,838 0 0	360,534 293,852 239,515	65,760 65,760 65,136	3,009,852 2,080,153 1,860,402
Denis Pétrin Vice-President, Finance and Administration, and CFO	2013 2012 2011	330,667 320,000 283,597	49,920 48,000 29,000	33,067 32,000 28,360	122,497 126,898 74,842	243,904 0 0	291,644 84,598 78,608	29,760 32,000 28,360	1,101,458 643,496 522,766
Daniel Godbout Senior Vice-President, Transport and Yield Management	2013 2012 2011	332,163 332,163 331,328	33,216 33,216 33,216	33,216 33,216 33,124	104,797 112,904 85,716	229,584 0 0	149,306 72,899 58,616	33,216 33,216 33,124	915,498 617,615 575,033
Annick Guérard General Manager, Transat Tours Canada	2013 2012 2011	292,917 213,116 191,166	30,000 21,500 19,240	27,038 8,682 590	94,649 98,503 24,825	201,705 0 0	74,614 7,562 7,423	29,292 21,312 19,117	750,215 370,675 262,361
André De Montigny Vice-President, Corporate Development	2013 2012 2011	295,000 295,000 270,613	29,500 29,500 27,137	29,500 29,500 27,061	93,072 100,273 70,026	163,262 0 0	111,744 74,089 77,405	29,500 29,500 27,061	751,578 557,862 499,304
Allen B. Graham(7) Formerly President, Transat Canada	2013 2012 2011	266,666 400,000 380,663	60,000 60,000 38,173	26,667 40,000 38,066	147,230 317,243 98,506	0 0 0	67,000 90,278 106,603	1,266,413 36,000 38,066	1,833,977 943,521 700,076

(1) The value of the RSUs awarded under the RSU Plan is equal to a percentage of the participant's base salary, divided by the weighted average trading price of the Voting Shares on the TSX for the five days preceding the award, i.e. $6.01 in 2013, $7.48 in 2012 and $19.24 in 2011.

(2) This amount represents Transat's contribution to the stock ownership incentive plan (Transaction plan) on the senior executive's behalf. This contribution is equivalent to 5% or 10% of the senior executive's base salary as at December 31 of the year preceding the beginning of the contributions, depending on the level of the position.

(3) See the "Stock Option Plans" section of this Circular for the detailed option exercise conditions.

(4) The fair value of the Options granted annually is obtained by multiplying the number of Options granted by their value established according to the Black, Scholes and Merton model. This value is the same as the fair book value established in accordance with generally accepted accounting principles and accounting for the following assumptions:

	2013	2012	2011
Exercise price:	$6.01	$7.48	$19.24
Risk-free rate:	1.61%	1.37%	3.26%
Dividend yield:	–	–	–
Volatility (60 months):	54.80%	52.50%	52.49%
Expected lifetime:	6 years	6 years	6 years
Fair value per option:	$2.59	$3.39	$9.93

(5) The value of the retirement plan represents, for each fiscal year, the sum of the "change attributable to compensatory items" of the defined benefit pension plan and the "compensatory amount" of the retirement plan (defined contribution plan), as presented for fiscal year 2013, in the tables of the "Benefits under a Retirement Plan" section of this Circular. For each fiscal year, the amount of the "change attributable to compensatory items" was established according to the same actuarial assumptions as those that served to establish the accrued benefit obligation presented in Transat's financial statements for the years ended October 31, 2011, 2012 and 2013 respectively, in accordance with generally accepted accounting principles.

(6) For all Named Executive Officers, this amount represents the value of the perquisites paid under the terms of the perquisites program. For Mr. Graham, the amount indicated in the "All Other Compensation" column includes the amounts disbursed in connection with the termination of his employment, and this amount was determined in accordance with the provisions of Mr. Graham's employment agreement signed on June 29, 2005. For Mr. Graham, this is an amount of $1,200,000 as an allowance, an amount of $30,591 as payment for the RSUs and an amount of $1,822 as payment for the DSUs.

(7) The salary shown for Mr. Graham represents the salary earned between November 1, 2012 and June 28, 2013, when he left the Corporation.

It should be noted that during fiscal 2012-2013, the stock options granted in the past did not generate financial value for the Named Executive Officers, since no Option was exercised. Indeed, the exercise price of the stock options was higher (during fiscal 2012-2013) than the market price of the underlying shares. Moreover, no Option granted under the 2009 Plan was vested during fiscal 2012-2013, since the performance criteria were not met. During fiscal 2012-2013, the restricted share units did not generate financial value for the Named Executive Officers either, because the performance criterion for the cycle ending in 2013 was not achieved.

Incentive Plans

- ***Table of Outstanding Option-Based and Share-Based Awards***

The following table sets forth, for each Named Executive Officer, the number and value of option-based and share-based awards outstanding at the end of fiscal year 2013.

Name of the officer	Option-based awards				Share-based awards		
	Number of securities underlying unexercised Options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options(1) ($)	Number of shares or share units that have not vested (2) (#)	Market or payout value of share-based awards that have not vested(3) ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
Jean-Marc Eustache	30,215	22.34	May 11, 2015	0	86,818	1,067,861	0
	30,682	22.66	May 3, 2016	0			
	34,295	37.25	May 2, 2017	0			
	62,266	21.36	April 21, 2018	0			
	118,538	11.22	May 6, 2019	128,021			
	110,743	12.25	May 5, 2020	5,537			
	49,844	19.24	January 12, 2021	0			
	192,313	7.48	January 11, 2022	926,949			
	233,637	6.01	January 9, 2023	1,469,577			
Denis Pétrin	1,794	15.68	May 18, 2014	0	20,752	255,250	0
	1,310	22.34	May 11, 2015	0			
	1,995	22.66	May 3, 2016	0			
	2,019	37.25	May 2, 2017	0			
	3,715	21.36	April 21, 2018	0			
	14,880	11.22	May 6, 2019	16,071			
	29,230	12.25	May 5, 2020	1,462			
	7,537	19.24	January 12, 2021	0			
	37,433	7.48	January 11, 2022	180,427			
	47,296	6.01	January 9, 2023	297,492			
Daniel Godbout	6,043	22.34	May 11, 2015	0	16,498	202,925	0
	6,289	22.66	May 3, 2016	0			
	5,968	37.25	May 2, 2017	0			
	10,980	21.36	April 21, 2018	0			

Name of the officer	Option-based awards				Share-based awards		
	Number of securities underlying unexercised Options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options(1) ($)	Number of shares or share units that have not vested (2) (#)	Market or payout value of share-based awards that have not vested(3) ($)	Market or payout value of vested share-based awards not paid out or distributed ($)
	21,321	11.22	May 6, 2019	23,027			
	37,948	12.25	May 5, 2020	1,897			
	8,632	19.24	January 12, 2021	0			
	33,305	7.48	January 11, 2022	160,530			
	40,462	6.01	January 9, 2023	254,506			
Annick Guérard	4,000	11.22	May 6, 2019	4,320	9,991	122,889	0
	6,699	12.25	May 5, 2020	335			
	2,500	19.24	January 12, 2021	0			
	29,057	7.48	January 11, 2022	140,055			
	36,544	6.01	January 9, 2023	229,862			
André De Montigny	7,045	15.68	May 18, 2014	0	14,441	177,624	0
	5,144	22.34	May 11, 2015	0			
	5,224	22.66	May 3, 2016	0			
	5,034	37.25	May 2, 2017	0			
	9,085	21.36	April 21, 2018	0			
	17,556	11.22	May 6, 2019	18,960			
	31,003	12.25	May 5, 2020	1,550			
	7,052	19.24	January 12, 2021	0			
	29,579	7.48	January 11, 2022	142,571			
	35,935	6.01	January 9, 2023	226,031			

(1) The value was calculated using the difference between the weighted average trading price of the Voting Shares of Transat on the TSX for the five days preceding October 31, 2013, i.e. $12.30, and the option exercise price.

(2) The vesting of RSUs is dependent on the level of achievement of the targets by the Corporation, based upon the weighted average return on shareholders' equity achieved over the three-year cycle. See the "Restricted Share Unit Plan" section.

(3) Includes the restricted share units (RSUs) and the shares purchased under the stock ownership incentive plan. The value was calculated using the weighted average trading price of the Voting Shares of Transat on the TSX for the five days preceding October 31, 2013, i.e. $12.30.

- ***Table of the Value Vested or Earned During the Fiscal Year***

The following table sets forth, for each Named Executive Officer, the value vested or earned during the fiscal year under the various compensation plans.

Name of the officer	Option-based awards: value vested during the fiscal year(1) ($)	Share-based awards: value vested during the fiscal year(2) ($)	Non-equity incentive plan compensation: value earned during the fiscal year(3) ($)
Jean-Marc Eustache	0	0	909,838
Denis Pétrin	0	20,232	243,904
Daniel Godbout	0	22,602	229,584

Name of the officer	Option-based awards: value vested during the fiscal year(1) ($)	Share-based awards: value vested during the fiscal year(2) ($)	Non-equity incentive plan compensation: value earned during the fiscal year(3) ($)
Annick Guérard	0	3,372	201,705
André De Montigny	0	19,224	163,262

(1) The value is determined by assuming that the Options vested during the fiscal year would have been exercised on the vesting date of each relevant grant. The value corresponds to the difference between the closing price of the Voting Shares on the TSX on the vesting date and the exercise price on the vesting date.

(2) For the stock ownership incentive plan, the value corresponds to the shares that have vested during the fiscal year multiplied by the price per share on the vesting date. For the restricted share units, the redemption value of the units from the 2010-2013 cycle, which have vested on October 31, 2013, is nil, because the financial threshold was not achieved.

(3) Represents the amount paid for fiscal year 2013 under the Short-term incentive program (STIP).

6.7 *Benefits Under a Retirement Plan*

The following table indicates, for each of the Named Executive Officers, the eligible years of service and estimated annual retirement benefits payable at age 65 accrued as at October 31, 2013 and which will accrue if the participant remains employed by the Corporation until age 65. The table also sets forth the changes in the accrued benefit obligation from October 31, 2012 to October 31, 2013, including the annual cost attributable to compensatory items for fiscal year 2013. These amounts were calculated using the same actuarial assumptions used for determining the accrued benefit obligation at year-end presented in our financial statements for the year ended October 31, 2013, in accordance with generally accepted accounting principles.

Each Named Executive Officer has a retirement agreement that provides for payment of a pension at the projected retirement age, based on a percentage of the executive officer's career-end salary, which is established according to the number of years of service and a percentage of the salary and the target bonus of the executive officer per year of service.

- ***Table of Benefits Under a Retirement Plan***

Name of the officer	Number of credited years of service (1)	Annual benefits payable (2)		Accrued benefit obligation as at November 1, 2012(3)	Change in the accrued benefit obligation during the fiscal year		Accrued benefit obligation as at October 31, 2013
		As at October 31, 2013 ($)	At age 65 ($)	($)	Change attributable to compensatory items(4) ($)	Change attributable to non-compensatory items(5) ($)	($)
Jean-Marc Eustache	34.78	944,828	n/a	11,348,000	322,000	-733,000	10,937,000
Denis Pétrin	4.00	26,202	198,428	270,000	232,000	-42,000	460,000
Daniel Godbout	26.19	243,999	393,310	3,275,000	106,000	-235,000	3,146,000
Annick Guérard	0.92	5,483	338,946	0	69,000	-10,000	59,000
André De Montigny	13.27	83,946	132,671	954,000	78,000	-113,000	919,000

(1) Number of credited years of service in a position eligible to the senior executives' retirement plan as at October 31, 2013 or before that date following termination of employment or retirement in 2013.

(2) Represents the benefits payable at age 65 based on the average final salary and the participation at the forecast date and without subtracting the benefits coming from the pension plan and the Quebec Pension Plan. There is no data for Mr. Eustache because he is over age 65.

(3) Represents the value of the projected pension earned for service up to October 31, 2012 or October 31, 2013 (depending on the column), accounting for the benefits of the pension plan and the Quebec Pension Plan, established in accordance with the assumptions described in Transat's financial statements.

(4) Corresponds to the cost of the services rendered during the fiscal year plus the value of the amendments to the agreement, if any, and the value corresponds to the variation of the compensation that differs from the actuarial assumptions. Mr. Pétrin's agreement was amended during the fiscal year, with the result that all his years of employment at Transat are counted to determine the retirement age without reduction and to determine the pension formula to apply.

(5) Represents the impact of all the other changes, including the interest related to the obligation for the previous year plus the change in the discount rate used to measure the obligation, the changes in other assumptions and the gains or losses realized other than those related to the compensation.

- ***Defined Contribution Plan Table***

The following table sets forth the changes in the sums accumulated in the defined contribution plan between November 1, 2012 and October 31, 2013, including the Corporation's contributions for fiscal year 2013.

Name of the officer	Accumulated value as at November 1, 2012 ($)	Compensatory amount(1) ($)	Accumulated value at the end of FY 2013 ($)
Jean-Marc Eustache	496,600	13,278	548,412
Denis Pétrin	295,887	6,600	362,131
Daniel Godbout	259,027	6,643	308,976
Annick Guérard	116,342	5,614	180,194
André De Montigny	141,790	5,800	181,334

(1) Represents the employer contributions, namely 2% of the participant's base salary up to the income tax limits.

6.8 *Termination of Employment and Change of Control Benefits*

The Corporation has entered into a standard agreement with each of the Named Executive Officers in order to determine the applicable terms and conditions of employment of said officers, specifically in the context of termination of employment in circumstances other than those provided for in the event of an "unsolicited or hostile" take-over of Transat. Each of these standard agreements was entered into in exchange for undertakings on the part of the executive officers not to solicit our customers or employees and not to compete with Transat, as hereinafter described.

The executive officer undertakes not to solicit our customers or employees for a period equal to the maximum severance period (18 or 30 months) and not to enter into competition with us, namely not to operate or to participate in a business operating in the same sectors of activity, in any jurisdiction where Transat or one of its subsidiaries has a place of business, for a period equal to the minimum severance period (12 or 18 months).

The terms and conditions, except the termination allowance, are the same for all the Named Executive Officers. The termination allowance is paid only if the Corporation terminates the executive officer without a serious reason or if the executive officer resigns for "valid reasons" as described in the agreements.

We also entered into standard agreements with each of the Named Executive Officers in order to define the terms and conditions of termination of employment of said individuals in the event of a change of control of Transat. Each of these standard agreements was entered into in order to ensure that such executive officers would continue to adequately see to the best long-term interests of Transat.

Therefore, for a period of two years following an acquisition of control of Transat, the standard agreement provides that, if the purchaser terminates the employment of the executive officer (otherwise than for cause, or further to his disability or death) or if the Named Executive Officer terminates his or her employment for a "sufficient reason" (as defined in the agreement), the executive officer will be entitled to the payment of an allowance following the termination of his employment.

The executive officer cannot draw any benefit from the agreement unless there is an acquisition of control of Transat and termination of his or her employment occurs as described in the standard agreement prior to its expiration.

For the President and Chief Executive Officer, his non-nomination or non-reelection as director or his discharge or replacement as Chairman of the Board of Directors of the Corporation constitutes a sufficient reason, giving entitlement to payment of the termination allowance.

	Involuntary departure termination allowance	Change of control termination allowance
Jean-Marc Eustache	18 months of base salary plus 2 months per year of service, maximum 30 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	24 months of base salary plus 2 months per year of service, maximum 36 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.
Denis Pétrin, Daniel Godbout and André De Montigny	12 months of base salary plus 1 month per year of service, maximum 18 months plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.	18 months of base salary plus 1 month per year of service, maximum 24 months, plus an amount under the STIP, i.e. the target bonus calculated on the number of months of the termination allowance.
Annick Guérard	12 months of base salary plus the average of the amounts granted as bonus during the past two fiscal years. This allowance is increased to 15 months if the executive has between 5 and 8 years of service, and to 18 months if the executive has 9 years of service or more.	18 months of base salary, plus the average of the amounts granted as bonus during the past two fiscal years.

Other terms:

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan[(1)]	Employee and other benefits
Involuntary departure (termination without cause)	No new grant effective from the termination date; vested Options at the termination date must be exercised within 180 days after the termination date; unvested Options at the termination date are cancelled.	RSUs: amount paid based on 50% of the pro rata of the months worked in the three-year cycle of each grant, at the fair market value of the Corporation's stock on termination date. DSUs: the amount paid is calculated by multiplying the number of DSUs in the executive officer's account on his termination date by the fair market value of the Corporation's stock on that date.	All the shares subscribed by the participant and the vested shares become unrestricted on the termination date.	A certificate of the accrued benefits on termination date is issued to the participant.	All insurance coverages except short-term and long-term disability are maintained for the term of the separation period, unless the executive officer is covered by another private insurance policy before the end of the period.

Type of termination	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)	Share purchase plan	Retirement plan[(1)]	Employee and other benefits
Retirement	No new Option grants effective from retirement date; vested Options at the termination date must be exercised within 180 days after the termination date; unvested Options at the termination date are cancelled.	RSUs: converted into cash prorated to the time worked at the normal end of the cycle or cycles, on condition of achievement of the fixed goal, at the fair market value of the Corporation's stock at the end of each cycle. DSUs: the amount paid is calculated by multiplying the number of DSUs in the executive officer's account on his retirement date by the fair market value of the Corporation's stock on that date.	All the shares subscribed by the participant, unrestricted or not, and all the shares awarded to the participant, regardless of whether they have vested, become unrestricted on the retirement date.	The participant receives his monthly retirement pension according to the terms and conditions of his agreement; the normal retirement age is 65 but the participant may retire at age 60 or after without penalty.	
Change of control	Any Option granted and not vested may be exercised, or the Board of Directors of the Corporation may force the exercise of any option, whether vested or not, according to the terms and conditions prescribed by the Board.	RSUs: All the RSUs granted and not vested vest on the date of change of control [(2)]. DSUs: All the DSUs in the participant's account on the date of the change of control are redeemable on that date.	All the subscribed shares, unrestricted or not, and all the shares awarded automatically vest on the date of a change of control of the Corporation.	A change of control does not result in any additional retirement benefits or trigger the accelerated payment of benefits.	In case of termination after a change of control, all insurance coverages except short-term and long-term disability are maintained for the term of the separation period, unless the executive officer is covered by another private insurance policy before the end of the period.

(1) Effective from the participant's retirement date, the Corporation undertakes to pay a monthly retirement allowance during his lifetime, equal to 1/12 of the amount resulting from the subtraction of 1.5%, 1.75% or 2%, multiplied by the credited years of service, multiplied by the "average final salary 5 years", minus the amount equal to the annual retirement benefit payable commencing at age 65, which is the actuarial value equivalent to the total sum accumulated by the participant in the Transat RRSP/DPSP, minus a sum equal to n/35 of the maximum annual pension benefit payable commencing at age 65 under the Québec Pension Plan, where "n" equals the total number of the participant's credited years of service on the date of his retirement.

(2) The accelerated vesting of RSUs is at the discretion of the Board of Directors, except if the individuals who constitute the Board of Directors on November 1, 2006 cease to constitute a majority of the members of the Board of Directors, or if a majority of the directors are not re-elected. In such case, vesting occurs as described in the above table.

Table of the Value of Benefits in the Event of Termination of Employment (Involuntary Departure) as at October 31, 2013

The following table reflects the cash value of the additional or accelerated benefits payable to each Named Executive Officer in the event of termination of employment (involuntary departure), as provided in the various compensation plans and the individual agreements with respect to termination allowances.

Name	Termination allowance	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)[(1)]	Share purchase plan	Retirement plans
Jean-Marc Eustache	$3,596,250	n/a	$190,004	n/a	n/a
Denis Pétrin	$723,840		$37,518		
Daniel Godbout	$722,455		$25,594		
Annick Guérard	$450,000		$18,912		

Name	Termination allowance	Stock options	Restricted share units (RSUs) and deferred share units (DSUs)(1)	Share purchase plan	Retirement plans
André De Montigny	$608,438		$22,731		

(1) Represents the amount calculated based on the price per share on October 31, 2013; RSUs: 2011-2014 and 2012-2015 cycles only, RSUs for the 2010-2013 cycle having vested normally on October 31, 2013. There are no additional benefits for RSUs, which are all redeemable in the event of any type of departure.

Table of the Value of the Benefits in the Event of Termination of Employment in a Change of Control Context as at October 31, 2013

The following table reflects, for each Named Executive Officer, the cash value of the additional or accelerated benefits resulting from termination of employment in a change of control context. The terms and conditions of each compensation component in the event of a change of control are provided in the various plans, except for termination allowances, which are included in the individual agreements.

Name	Termination allowance	Stock options(1)	Restricted share units (RSUs) and deferred share units (DSUs)(2)	Share purchase plan	Retirement plans
Jean-Marc Eustache	$4,315,500	$2,402,063	$910,200	$0	n/a
Denis Pétrin	$965,120	$479,150	$181,118	$115,005	n/a
Daniel Godbout	$963,273	$416,634	$122,606	$118,806	n/a
Annick Guérard	$450,000	$358,201	$96,764	$61,426	n/a
André De Montigny	$811,250	$369,908	$108,892	$104,476	n/a

(1) The value indicated is for Options that have not vested and which would vest further to termination of employment in a change of control context on October 31, 2013.

(2) The value indicated represents all RSUs at the price per share on October 31, 2013, which would all vest in the event of a change of control as defined in the plan. RSUs for two cycles only (2011-2014 and 2012-2015) would be paid out, RSUs for the 2010-2013 cycle having vested on October 31, 2013. There are no additional or accelerated benefits for DSUs.

Clawback

Each senior executive signed a clawback clause concerning the amounts disbursed under the variable compensation plans. Under this clause, the Corporation may claw back the amounts disbursed, within a three-year period:

> If it is proven that the factual or financial data on the basis of which such additional compensation was granted came from information which was falsified or erroneous at the source due to the executive's intentional fault(s) or direct or contributory negligence;
>
> or
>
> if the Corporation had to review and reissue amended financial statements (other than a review caused by a change in the applicable rules or accounting interpretations) and the calculation of the additional compensation paid to the executive according to these amended financial statements would have resulted in an amount lower than the amount granted to the executive.

6.9 *Succession Planning*

Regarding succession planning and development, Transat established, in 2004, a systematic "Talent Management and Succession Planning" process. Since then, the Committee reviews, regularly, a progress report on development activities, management training initiatives and staff movements with regard to succession planning for senior management, including the President and CEO. Moreover, under its normal work plan, the Committee annually reviews the strategy on which the talent management process is based and monitors specifically the development of the succession candidates for the positions of President and CEO, and all other senior management positions.

Overall, senior management succession candidates progress in a succession of positions, allowing them to develop their understanding of Transat's business model and to rapidly apply the leadership skills required in their next positions. This path is supplemented by psychometric evaluations, individual development plans and coaching by the President and CEO and by the Vice-President, Human Resources and Talent Management.

During the last year, following the departure of Mr. Allen B. Graham, Mr. Jean-François Lemay was promoted to General Manager of Air Transat while remaining Vice-President, Human Resources and Talent Management. Another candidate for the succession, Mr.Joseph Adamo, was promoted to General Manager for Transat Distribution Canada, while remaining Vice-President, Marketing and E-Commerce. In addition, Annick Guérard has continued to perform her duties as General Manager of Transat Tours Canada since December 2012. These promotions are consistent with the above logic and contribute to senior management depth while strengthening the knowledge of Transat's business model.

In the perspective of an unexpected event, the process to find a successor to Mr. Jean-Marc Eustache, President and Chief Executive Officer, would begin immediately, with the position filled internally on an interim basis if necessary. However, in the normal course of things, the succession planning process should make it possible, over the next few years, to identify, internally or externally, Mr. Eustache's successor when he is ready to retire.

Finally, Transat favours internal promotion and the approach used for preparation of the senior management succession is also used for the Corporation as a whole. This approach allows it to manage risk and is a guarantee of greater stability in managing the challenges of our business environment. In short, 9% of Transat's senior executives and middle managers were promoted internally during the past year.

6.10 *Securities Authorized for Issuance Under Equity Compensation Plans*

The following table indicates the number of Voting Shares available for future issuance under the stock option plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as at October 31, 2013 **(a)**	Weighted average exercise price of outstanding options, warrants and rights as at October 31, 2013 **(b)**	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as at October 31, 2013 **(c)**
Equity compensation plans approved by security holders(1)	2,692,544	$12.18	498,361
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	2,692,455	$12.18	498,361

(1) As at October 31, 2013, an aggregate of 246,547 Voting Shares were available for future issuance under the Former Plan and an aggregate of 251,814 Voting Shares were available for future issuance under the 2009 Plan.

7. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporate Governance and Nominating Committee (referred to hereinafter in this section as the "**Committee**") closely monitors evolving corporate governance guidelines and best practices. It also evaluates the Board of Directors' overall performance annually. The Board's mandate and role include but is not limited to: (i) overseeing and approving the corporate strategy and its implementation as well as risk management; (ii) reviewing the recommendations of the President and Chief Executive Officer on the appointment of Transat's executive officers; (iii) setting goals for the President and Chief Executive Officer and reviewing those of executive officers with him, monitoring their performance and applying corrective measures as appropriate; (iv) informing shareholders on the performance of the Corporation, its Board of Directors and Board Committees; and (v) approving and ensuring the performance of the Corporation's legal obligations.

The Corporation believes that good corporate governance is an important asset that promotes and enhances performance and preserves the value of shareholder equity. The Committee is currently composed of Messrs. Jacques Simoneau (its chairman), Brian Edwards and Jean-Pierre Delisle. It should be noted that Mr. Jean-Marc Eustache attends the meetings of the Committee upon invitation.

7.1 *Corporate Governance Initiatives*

The Committee is made up of three independent directors whose powers and mandate are set out in the Committee's charter. The Committee regularly reviews our corporate governance practices in light of developing requirements and practices in this field. As new provisions come into effect, the Committee will reassess our corporate governance practices and recommend that changes be implemented where appropriate. Transat's corporate governance practices meet or exceed *National Instrument – 58-101 Disclosure of Corporate Governance Practices* adopted by the Canadian Securities Administrators (see Transat's alignment with these requirements at Schedule A of this Circular) and ensure transparency and effective governance of the Corporation.

Pursuant to its mandate, the Committee reviews on a continuous basis a number of emergency measures and measures related to the Corporation's operations. In September 2013, the Committee identified a list of sixty-seven (67) risks and classified them according to their impact, while establishing risk assessment criteria. For example, the risks are those related to management of information systems, tour operators, airline and aircraft activities, third-party hotels where Transat books rooms for travellers, exchange rate and fuel price hedging, insurance coverage and the financial approval processes. Risk management is shared among the Corporation's executive officers to eliminate compartmentalized risk management. It is estimated that this approach will allow further development of a risk management culture within the Corporation

The Committee has also reviewed the Corporate Governance Manual which has been updated to reflect, amongst others, new legislative and regulatory developments in Governance and Securities' Law.

It should be noted that on September 11, 2012, the Committee adopted a resolution proposing the amendment of paragraph 1.1.7 of the Corporate Governance Manual to add an age limit to the eligibility criteria for the directors of the Corporation. On September 12, 2012, the Board of Directors of the Corporation adopted this proposal of the Committee and resolved that the Corporate Governance Manual be amended so as to add the following wording to paragraph 1.1.7:

> *"A director normally becomes ineligible when he or she reaches retirement age, which is set at seventy-five (75) years. Notwithstanding the foregoing, the Board of Directors maintains its full discretion in the application of the criteria regarding the retirement age, which will take into account, in particular, the years of service of the members of the Board of Directors and the expertise required by the Board of Directors at that time."*

Eight (8) of the eleven (11) directors seeking election or re-election to the Board are independent directors. The three non-independent directors are the founding members of the Corporation, including Mr. Eustache who chairs the Board. The Lead Director and the chairs of the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee are all independent directors.

7.2 *Selection of Candidates for the Board of Directors*

The selection process for new candidates for the Board of Directors is conducted by this Committee. More detailed information concerning the Committee's responsibilities, powers and activities appear in Section 8 of this Circular.

When it makes its recommendations, the Committee considers the principle that the members of the Board should have diversified backgrounds, experience and aptitudes. Directors are selected for their integrity and character, fair and independent judgment, breadth of experience, insight and knowledge, and business acumen. Directors are expected to bring these personal qualities to their role as a director of the Corporation, and apply sound business judgment to help the Board make wise decisions and provide thoughtful and informed advice to senior management.

In accordance with the policies of the Board, the evaluation and selection process is undertaken by the Committee, as needed, and consists of several steps, including the preparation and updating, from time to time, of an inventory of the abilities, skills and aptitudes of the members of the Committee and the Board as a whole, which are listed in the following table.

DIRECTORS' COMPETENCIES

	Sector of Activity										Experience									
Name	Financial services	Technology	Tourism	Transportation / Air transportation	Hotel industry	Marketing, communications and advertising	Professional services	Consumer goods/Retail	Academic community	Community involvement	Corporate management	Corporate governance	Finance / Accounting	Board service for public companies	Human resources	Marketing / Sales	Operations	International	Business development/Mergers-acquisitions	Strategic planning
Raymond Bachand(1)	√		√				√	√	√	√	√	√	√	√		√	√	√	√	√
Louis-Marie Beaulieu				√			√			√	√	√	√		√		√	√	√	√
Lina De Cesare			√	√	√			√		√	√						√	√		√
Jean-Pierre Delisle	√						√				√	√	√	√					√	
W. Brian Edwards		√				√	√			√	√	√		√	√		√		√	√
Jean-Marc Eustache			√	√				√		√	√	√		√			√	√	√	
Susan Kudzman(1)	√	√					√			√		√	√	√	√			√	√	√
Jean-Yves Leblanc				√						√	√	√	√	√	√		√	√	√	√
Tony Mignacca(1)						√	√	√			√		√	√		√	√		√	√
Jacques Simoneau	√	√		√		√			√		√	√	√	√	√	√	√	√	√	√
Philippe Sureau		√	√	√		√		√			√	√					√	√	√	√
John D. Thompson(2)	√										√	√	√	√	√					√
Dennis Wood(2)											√	√	√	√	√				√	

(1) Ms. Kudzman and Messrs. Bachand and Mignacca are seeking election as directors of the Corporation for the first time.
(2) Messrs. Thompson and Wood are leaving office and are not standing for re-election as directors.

The above inventory is reviewed, as needed, to detect deficiencies between the desired range of abilities, competencies, skills and qualities required to deliver the overall strategy and the Corporation's vision, and those that are adequately represented on the Board, accounting for future retirements. The Committee uses this evaluation as a basis to determine the competencies, experience, qualifications, diversity and personal qualities desired in eventual new Board members. The Committee recruits the candidates by resorting to various sources, which may include a recruitment firm or referrals by existing directors. When a vacancy occurs or is impending, the Committee draws up a short list of potential candidates to consider in greater depth by asking whether the candidates can devote enough time and resources to their obligations as Board members. The Committee can mandate such firms or experts to help fulfill the recruitment obligations it is required to fulfill. The Committee prepares and updates, as needed, an adaptable list of candidates for eventual election to the Board to fill anticipated or unexpected vacancies. During the process, the Committee informs the Board and requests information on the candidates. The candidates participate in an interview with members of the Committee and other directors, as is considered appropriate. The Committee then issues a recommendation to the entire Board, which chooses a candidate to propose his or her election to the shareholders.

7.3 *Performance Assessment*

In November 2013, the Committee, with the assistance of PCI-Perrault Consulting Inc., conducted an annual formal evaluation of the Board and its committees' effectiveness and was able to compare the findings with last year's evaluation in order to target and implement suggested improvements as in previous years. Furthermore, during the same period, each director was asked to complete an annual evaluation consisting of a director peer review and feedback survey with the objectives of assessing the performance of each director and providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback is collected through the survey that allows for both quantitative ratings and written comments. The feedback is then submitted on a confidential basis to PCI-Perrault Consulting Inc. who prepares a report for each director on his or her performance.

The Committee relies on the evaluation process to determine whether a director should withdraw from the Board.

The directors are evaluated by the Committee in collaboration with the Chair of the Board, on an annual basis. The following table indicates what is involved in the evaluation process.

	Evaluator				
	Chair of the Board	Lead Director	Chair of the Corporate Governance and Nominating Committee	Each director	Human Resources and Compensation Committee
Performance of the Board	√	√	√	√	
Performance of the Committees				Committee members	
Performance of the Chairman of the Board, President and Chief Executive Officer				√	√
Performance of the Committee Chairs				Committee members	
Performance of each director	√	√	√	√	
Performance of the Lead Director as a member of the Board				√	

In addition to providing invaluable information on the efforts the Board must deploy to improve performance, the evaluation process established by the Corporation encourages discussion on governance and training initiatives.

7.4 *Independence of Directors*

All directors, with the exception of Ms. De Cesare, Messrs. Eustache and Sureau (all three being executives or past executives and founding members of the Corporation), are independent within the meaning of section 1.2 of *National Instrument 58-101 – Disclosure of*

Corporate Governance Practices and the independence standards approved by the Board. The Board, directly or through one of its committees, adopts structures and procedures to ensure the independence of the Board from the Corporation's management.

Candidates for director positions	Independent	Non-independent	Reasons for non-independence
Raymond Bachand[(1)]	✓		
Louis-Marie Beaulieu	✓		
Lina De Cesare		✓	Retired executive officer
Jean-Pierre Delisle	✓		
W. Brian Edwards	✓		
Jean-Marc Eustache		✓	Executive officer
Susan Kudzman[(1)]	✓		
Jean-Yves Leblanc	✓		
Tony Mignacca[(1)]	✓		
Jacques Simoneau	✓		
Philippe Sureau		✓	Retired executive officer
John D. Thompson[(2)]	✓		
Dennis Wood[(2)]	✓		

(1) Ms. Kudzman and Messrs. Bachand and Mignacca are seeking election as directors of the Corporation for the first time.
(2) Messrs. Thompson and Wood are leaving office and are not standing for re-election as directors.

7.5 *Orientation and Continuing Education*

The Corporation has in place an orientation program for new directors. New directors are invited to attend orientation sessions with members of senior management to improve their understanding of the Corporation's business. Each new director is also asked to review the Corporate Governance Manual, the Charter of the Board, the Charter of each committee and the position descriptions of the President and CEO, the Chairman of the Board, the Lead Director and the Chair of each committee in order to fully grasp the role he or she is expected to play as a director and a committee member. Extensive documentation on the Corporation is also provided to the directors in order to enable them to better understand the Corporation and their role and responsibilities. As part of its mandate, the Corporate Governance and Nominating Committe is also responsible for providing a continuous education program for members of the Board. This program provides directors with opportunities to develop skills thar are essential to the directorship at Transat and to ensure that they are up to date in their awareness of company and industry issues and their duties and responsibilities as directors. Training sessions facilitated by internal legal and financial advisors, representatives of financial organizations and recognized external legal advisors on specialized and complex topics related to the Corporation's activities are also provided to directors to ensure that their knowledge and understanding of the Corporation's business remains current. Occasionally, a presentation on recent trends in corporate governance is delivered to the members of the Board. The Corporation provides directors with regular reports on its operations and finances. Management periodically briefs the Board with up-to-date industry studies and benchmaking information.

The following table provides details on certain director training initiatives undertaken in 2013:

DIRECTOR CONTINUING EDUCATION 2013		
TOPIC	**PRESENTATION BY**	**DIRECTORS ATTENDING**
Renewal of the Shareholder Rights Plan / poison pill / current statutory development	Fasken Martineau	Jean-Pierre Delisle Brian W. Edwards Jean-Marc Eustache Jacques Simoneau
Evolution of major tourist market trends and	Transat A.T. Inc.	All directors

DIRECTOR CONTINUING EDUCATION 2013		
TOPIC	**PRESENTATION BY**	**DIRECTORS ATTENDING**
strategies of the leading players		
Presentation on issues regarding directors' responsibilities, independence of directors, and the coming trends in governance	Norton Rose Fulbright	All directors
Update on the evolution of major tourist market trends and strategies of the leading players	Transat A.T. Inc.	All directors

7.6 *Other Board Committees*

The Board has no committees other than the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. The Board of Directors and each of its committees have charters which are reviewed every two years and which state their respective mandates and define the roles and responsibilities of members, including each chair.

The committees of the Board and their composition are detailed in the following table:

	AUDIT COMMITTEE	CORPORATE GOVERNANCE AND NOMINATING COMMITTEE	EXECUTIVE COMMITTEE	HUMAN RESOURCES AND COMPENSATION COMMITTEE
Jean Pierre Delisle	■	■		
W. Brian Edwards		■	■	(Chair)
Jean-Marc Eustache			(Chair)	
Jean-Yves Leblanc*	(Chair)		■	■
Jacques Simoneau	■	(Chair)	■	
John D. Thompson(1)	■			■
Dennis Wood(1)				■

** Lead Director*

(1) Messrs. Thompson and Wood are leaving office and are not standing for re-election as directors.

7.7 *Corporate Disclosure Policy*

Since 2006, the Corporation follows a disclosure policy setting out the process by which the Corporation discloses its corporate information. The policy is implemented by the disclosure committee. Its members include most executive officers of the Corporation responsible for, amongst other things, earnings announcements, analyst reports, calls and meetings, selective disclosure of information, the use of forward-looking information, dealing with rumours and black-out periods. The policy provides for a disclosure compliance system and procedures to ensure that material information concerning Transat's affairs is brought to the attention of the disclosure committee members in a timely and accurate manner.

The disclosure policy is reviewed on a regular basis by the disclosure committee, in order to update it in relation to the Corporation's practices concerning disclosure within the Corporation.

8. ADDITIONAL DISCLOSURE

8.1 *Indebtedness of Directors and Executive Officers*

None of the current or former directors, executive officers and employees of Transat or its subsidiaries is indebted to Transat or any of its subsidiaries, or has contracted any loan that is secured by a guarantee, a support agreement, a letter of credit or other similar arrangement on the part of Transat or any of its subsidiaries. Pursuant to our Corporate Governance Manual, it is our policy not to grant any loans, whether or not secured by a guarantee, a support agreement, a letter of credit or other similar arrangement on our part or on the part of any of our subsidiaries, to our directors, executive officers, employees or nominees for the position of director of Transat.

8.2 *Professional Services Agreements*

The Corporation renewed the professional services agreements with Lina De Cesare and Philippe Sureau, who both act as Advisors to the President since their retirement effective November 1, 2009. Each of these agreements, as renewed, is valid from November 1, 2013 to October 31, 2014, unless it is terminated earlier by written notice of either party to the agreement. Ms. De Cesare's agreement provides for the payment of fees at an hourly rate of $350, and an hourly rate of $175 when she travels outside Canada by air for her work, in consideration of the professional services rendered as a consultant. Mr. Sureau's agreement provides for the payment of fees at an hourly rate of $250, and an hourly rate of $125 when he travels outside Canada by air for his work, in consideration of the professional services rendered as a consultant. Each agreement, as renewed, includes a confidentiality and non-solicitation undertaking. During the year ended October 31, 2013, the total fees paid amounted to approximately $55,125 for Lina De Cesare and $14,500 for Philippe Sureau. These professional services agreements are filed and available on the SEDAR website at www.sedar.com.

8.3 *Directors' and Officers' Liability Insurance*

We have taken out an insurance policy at our own expense that covers the liability of our directors and officers, in their capacities as such. This insurance policy also covers the directors and officers of our subsidiaries. For the twelve-month period ending March 31, 2014, our insurance policy provides a maximum coverage of $50,000,000 per claim, subject to a deductible of $250,000 payable by Transat, as well as an additional coverage of $50,000,000. The premium paid under the policy for twelve months coverage is $410,495.

8.4 *Additional Information*

More information on the Corporation is available on the SEDAR website at www.sedar.com or the Corporation's website at www.transat.com. Copies of our annual information form, Circular, financial statements and MD&A may be obtained upon request made to our Corporate Secretary. We may charge a reasonable fee if the request is made by a person who is not a shareholder of Transat, unless we are in the course of a distribution of our securities pursuant to a short-form prospectus, in which case these documents will be provided free of charge. The financial information of Transat can be found in the comparative financial statements and MD&A for our last fiscal year.

Transat is a reporting issuer in the different Canadian provinces, and we must file our financial statements and Circular with each of the Canadian Securities Administrators. We also file an annual information form with these same administrators.

8.5 *Shareholder Proposals*

As at October 25, 2013, the Corporation had not received any shareholder proposals. Moreover, the proposals regarding any matter that the persons entitled to vote at the 2015 annual meeting of shareholders wish to submit to that meeting must be received by the Corporation no later than October 24, 2014.

8.6 *Approval of the Management Proxy Circular*

The content and the sending of this Circular have been approved by the Board of Directors of the Corporation.

Montréal, Québec, January 13, 2014.

BY ORDER OF THE BOARD OF DIRECTORS

TRANSAT A.T. INC.

Bernard Bussières
Vice-President, General Counsel and Corporate Secretary

SCHEDULE A

CORPORATE GOVERNANCE PRACTICES

As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange ("**TSX**"), the Corporation has in place corporate governance practices that are consistent with the requirements of *National Policy 58-201 – Corporate Governance Guidelines* and *National Instrument 58-101 – Disclosure of Corporate Governance Practices*, which are the initiatives of the Canadian Securities Administrators ("**CSA**") and which supplant the previous TSX corporate governance guidelines.

We recognize that our governance practices must evolve to respond to changes in the regulatory environment. Many regulatory changes have come into effect in the past years, including rules issued by the CSA relating to audit committees and disclosure of corporate governance practices. The Corporation is regularly adjusting its governance practices as regulatory changes come into effect and will continue to monitor these changes closely and consider amendments to its governance practices, if need be.

Corporate Governance Disclosure

The following table compares the Corporation's governance practices against National Policy 58-201 and National Instrument 58-101 as required under form 58-101-F1 – Corporate Governance Disclosure.

Requirements	Implementation by the Corporation
1. Board of Directors	
a) Disclose the identity of directors who are independent.	For the year ended October 31, 2013, the Board of Directors is composed of ten (10) directors, of whom seven (7) are independent, namely Louis-Marie Beaulieu, Jean-Pierre Delisle, W. Brian Edwards, Jean-Yves Leblanc, Jacques Simoneau, John D. Thompson and Dennis Wood. For the year ending October 31, 2014, if they are all elected, the Board will be composed of eleven (11) directors, eight (8) of whom will be independent, namely Raymond Bachand, Louis-Marie Beaulieu, Jean-Pierre Delisle, W. Brian Edwards, Susan Kudzman, Jean-Yves Leblanc, Tony Mignacca and Jacques Simoneau.
b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	The directors who are not independent are the founders and current or past members of management of Transat: (i) Jean-Marc Eustache, Chairman of the Board, President and Chief Executive Officer, (ii) Lina De Cesare, Advisor to the President, and (iii) Philippe Sureau, Advisor to the President. Each of these directors is considered to have a material relation with the Corporation due to the executive officer position they hold or have held in the Corporation and the role that each of them has played as founder.
c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of directors (the Board) does to facilitate its exercise of independent judgment in carrying out its responsibilities	The majority of Transat's directors, seven (7) out of ten (10), are independent directors and the majority of the directors for the year ending October 31, 2014, i.e. eight (8) out of the eleven (11), will be independent directors as defined in National Instrument 52-110 of the CSA.
d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	See the extensive description of directors' tenure as members of the boards of other reporting issuers in section 2 of this Circular.

Requirements	Implementation by the Corporation
e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	Directors, at their sole discretion, may hold in-camera sessions, in the absence of non-independent directors or executive officers of the Corporation, at every regularly scheduled Board meeting and also when the need arises. This item is systematically included on the agenda of each Board meeting. From November 1, 2012 to October 31, 2013, the Board has held nine (9) meetings, each having an agenda which specifically provided for an in-camera session. In addition to these meetings, independent directors held five (5) in-camera sessions since November 1, 2012, including the session referred to under paragraph f) hereinafter regarding the assessment of the Chairman, President and Chief Executive Officer, which the non-independent directors (Messrs. Eustache and Sureau and Ms. De Cesare) and the management did not attend.
f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.	The Chairman of the Board, President and Chief Executive Officer and co-founder of the Corporation, Mr. Jean-Marc Eustache, is not independent from senior executive officers. However, the Lead Director, Mr. Leblanc, is an independent director and is free to contact the other directors. Following the amendments to the by-laws of the Corporation approved by the directors at the Board meeting held on March 15, 2012 and ratified by the shareholders on March, 14, 2013, the Lead Director may also call a Board meeting on his own initiative. As well, in-camera sessions are provided for at each regularly scheduled Board meeting and are always held in the absence of non-independent directors (see paragraph e) above). Each year, members of the Human Resources and Compensation Committee assess, *in camera*, the performance of the Chairman, President and Chief Executive Officer without him being present and review the results with him and the Board. A report is subsequently made, *in camera*, at the Board level and further discussed among board members. Every year, each director also assesses the Lead Director's performance. A report is then presented to the Board, *in camera*, and is discussed by the Board members.
g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	See the full attendance record of each director for each of the Board and its committees in section 2 of this Circular.
2. Board Mandate	
Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The Board, either directly or through Board committees, is responsible for management and supervision of the business and affairs of the Corporation with the objective of enhancing shareholder value. The Board's mandate and role includes but is not limited to: (i) overseeing and approving the corporate strategy and its implementation as well as risk management; (ii) reviewing the recommendations of the President and Chief Executive Officer on the appointment of Transat's executive officers; (iii) setting goals for the President and Chief Executive Officer and reviewing those of executive officers with him, monitoring their performance and applying corrective measures as appropriate; (iv) informing shareholders on the performance of the Corporation, its Board of Directors and Board Committees; and (v) approving and ensuring the performance of the Corporation's legal obligations. The Board assumes the responsibility of defining the main risks related to the Corporation's activities and the implementation of appropriate systems allowing management of these risks. The roles and responsibilities of the Board, each of its committees

Requirements	Implementation by the Corporation
	and the Chair of each committee are set out in formal written charters (the full text of which can be promptly provided upon written request and is available on SEDAR at www.sedar.com). These charters are reviewed every two years to ensure they reflect best practices and are in compliance with any applicable regulatory requirements. The Audit Committee charter is also available in Schedule 1 to the Corporation's Annual Information Form.
3. Position Descriptions	
a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the board delineates the role and responsibilities of each such position.	The Board has developed written position descriptions for the Chairman of the Board, the Lead Director and each Committee chair. These are included in the Corporate Governance Manual, which was updated in September 2013 and is available on Transat's website at www.transat.com.
b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	The Board has developed a written position description for the Chief Executive Officer, which description is included in the Corporate Governance Manual.
4. Orientation and Continuing Education	
a) Briefly describe what measures the Board takes to orient new directors regarding: i) the role of the Board, its committees and its directors, and; ii) the nature and operation of the issuer's business.	The Corporate Governance and Nominating Committee is responsible for providing an orientation and education program for new directors. As part of this program, the Chair of the Committee oversees the orientation and education of directors, with the support of certain members of management. Thus, all new directors have the opportunity to meet with the Corporation's senior executives individually in order to help them gain a better understanding of the operating activities of the Corporation and its subsidiaries. This program is set out in the Corporate Governance Manual. All the new directors receive a copy of the issuer's key documents, particularly the Code of Ethics, the policies on insider trading, and up-to-date information on the Corporation's activities and financial reporting. They may also ask questions about the nature of the issuer and its activities. As well, new directors are made fully aware of Transat's Charter of Expectations for Directors. This Charter, the full text of which can be promptly provided upon written request and is also available on SEDAR at www.sedar.com, was updated on September 11, 2013.
b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Transat's internal and external legal and financial counsels provide working sessions with the directors, from time to time, in order to update directors on evolving governance trends, requirements and guidelines. Training sessions are held during certain Board meetings, in addition to regular presentations offered to Board members. The directors are also informed regularly of the strategic issues affecting the Corporation, the Corporation's competitive environment and any other new fact likely to have a material effect on the Corporation (see paragraph 7.5 of this Circular). Certain of our directors are either members of organizations dedicated to the evolution of corporate governance practices or regularly attend seminars on such matters.

Requirements	Implementation by the Corporation
5. Ethical Business Conduct	
a) Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:	
i) disclose how a person or company may obtain a copy of the code;	Directors are expected to comply with our Charter of Expectations for Directors in order to promote best practices and ensure ethical business conduct. This Charter, which was updated on September 11, 2013, sets out the professional and personal competencies and characteristics expected from Transat directors; these include, amongst others, high ethical standards, attendance at meetings, diligence, international experience and accountability. In addition, the Corporate Governance Manual states clearly the parameters for the disclosure and management of potential conflicts of interest, guidelines to which the directors are currently subject. As well, our directors, officers and employees are subject to the provisions of our Code of Ethics, which was adopted in 2003 and updated in 2005 and 2010, is made available to every employee of Transat and is posted on the Corporation's website. The Code of Ethics provides a framework for directors, officers and employees on the conduct and ethical decision-making integral to their work; it has been implemented throughout Transat and most of its subsidiaries.
ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and	The Board, through its Corporate Governance and Nominating Committee, reviews the implementation and compliance of the Code of Ethics throughout the Corporation and its subsidiaries. In this respect, the Corporate Governance and Nominating Committee receives from our Vice-President, General Counsel and Corporate Secretary, and from our internal auditor, on a quarterly basis, a written declaration as to any complaints received during the said quarter pursuant to our Code of Ethics. The Corporation requires its directors, officers and employees to acknowledge that they have read the Code and agree to comply with it.
iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	There has been no material change report filed since the beginning of our most recently completed financial year that pertains to any conduct of a director or executive officer of Transat that constitutes a departure from the Charter of Expectations or the Code of Ethics.
b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Our Code of Ethics states clearly that directors and executive officers should avoid any transaction or event that could potentially create a conflict of interest. Should an event or a transaction occur in respect of which a director or executive officer has a material interest, full disclosure to the Board is required and such director must abstain from voting on any such matter.
c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	Transat's Code of Ethics, Charter of Expectations for Directors, best governance practices (included in its Corporate Governance Manual) together with statements included in the Board and Committee charters encourage and promote an overall culture of ethical business conduct. The Board's ongoing review of and adherence to these measures and principles also encourages an ethical business conduct throughout the Corporation. In addition, both the annual Board evaluation questionnaire and the peer feedback survey contain specific questions pertaining to ethical

Requirements	Implementation by the Corporation
	business conduct.
6. Nomination of Directors	
a) Describe the process by which the Board identifies new candidates for Board nomination.	The Corporate Governance and Nominating Committee and, in particular, the Nominations Committee are responsible for identifying and recommending to the Board suitable nominees for election to the Board.
b) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	To accomplish this duty, the Committee: i) assesses the composition and size of the Board and, in doing so, reviews the breadth and diversity of experience and competencies of the directors; ii) identifies the challenges facing the Corporation; iii) recommends to the Board a list of nominees for election as directors; and iv) approaches competent nominees. The Committee also maintains an updated list of potential nominees for election to the Board for future reference. Prior to agreeing to join the Board, new directors are given a clear indication of the workload and time commitment required.
c) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.	The Corporate Governance and Nominating Committee is composed entirely of independent directors.
7. Compensation	
a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.	The Human Resources and Compensation Committee of the Board annually reviews, with the assistance of our external advisors PCI-Perrault Consulting Inc., the compensation paid to directors and officers to ensure it is competitive and consistent with the responsibilities and risks involved in being an effective director or officer. Details of the directors' compensation are disclosed in section 5 of this Circular and details of the executive officers' compensation are disclosed in section 6.
b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.	The Human Resources and Compensation Committee is composed entirely of independent directors.
c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Human Resources and Compensation Committee charter, which describes the responsibilities, powers and operation of such committee, can be promptly provided upon written request and is available on SEDAR at www.sedar.com.
d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	Individual directors, through the committees, may engage outside advisors at the expense of the Corporation. The Corporate Governance and Nominating Committee coordinates such requests. Since 2006, the services of PCI-Perrault Consulting Inc., a recognized independent external consultant, were retained to assist the Board and the Human Resources and Compensation Committee in fulfilling their respective duties and responsibilities. This firm was engaged to provide advice and guidance on executive compensation issues. This included conducting a comprehensive review of

Requirements	Implementation by the Corporation
	executive and senior management compensation relative to market practice and suggesting alternatives for the Board's consideration. Since 2006, PCI-Perrault Consulting Inc. was retained in connection with the director peer feedback survey described hereinafter.
8. Other Board Committees If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Board has no standing committees other than the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. All the members of these committees (apart from the Executive Committee) are independent directors.
9. Assessments Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	On an annual basis during the months of December and January, the Corporate Governance and Nominating Committee conducts a formal evaluation of the Board and its committees' effectiveness and compares the findings with the previous year's evaluation in order to target and implement suggested improvements. Furthermore, during the same period, each director is asked to complete a second evaluation consisting of a director peer feedback survey with the objective of providing candid feedback to individual directors and thus improving the Board's performance. Such feedback is intended to stimulate insight, motivate developmental action and enable directors to enhance their individual contributions to Board and committee work. Feedback is collected through this survey that allows for both quantitative ratings and written comments. The feedback will be submitted on a confidential basis to PCI-Perrault Consulting Inc. who prepares a report for each director on his or her performance. Following the evaluation consisting of the director peer feedback survey, the Chairman of the Board reviews the results of the survey and meets with each director. The members of the Board can also discuss the performance of another member freely at any time with the Chairman of the Board.

SCHEDULE B

2014 RIGHTS PLAN

The 2014 Rights Plan will take effect at the close of the Meeting and will expire at the close of the annual meeting of shareholders of the Corporation to be held in 2017, unless it is terminated prior to such meeting.

Issue of Rights

In order to implement the 2014 Rights Plan, the Board of Directors confirmed the issuance of one right in respect of each Variable Voting Share and in respect of each Voting Share outstanding as of 5:00 p.m. (Montreal time) on March 13, 2014 (the "**Effective Date**"). One Right will also be issued and attached to each subsequently issued Variable Voting Share and Voting 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 Variable Voting Shares and Voting Shares of the Corporation on a combined basis 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 Variable Voting Shares and Voting Shares on a combined basis 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 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 2014 Rights Plan.

To the knowledge of the senior executives of the Corporation, as of January 13, 2014, no natural or legal person owns or owned 20% or more of the Variable Voting Shares and Voting Shares of the Corporation on a combined basis.

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 shares to the take-over bid (the "**Subject Bid**") without a Flip-in Event occurring. Any such agreement must permit or must have the effect to permit the shareholder to withdraw the 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 Variable Voting Shares and Voting 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 or may bear the legend set forth in a prior version of the 2014 Rights Plan. 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 shares which, together with the other securities beneficially owned by the bidder, represent not less than 20% of the outstanding Variable Voting Shares and Voting Shares on a combined basis, 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 Voting Shares;

(ii) The bid must include a condition without reservation providing that no 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 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 shares may be tendered pursuant to the bid, unless the bid is withdrawn, at all times during the bid period and that all the shares tendered may be withdrawn until they are taken up and paid for; and

(iv) If more than 50% in aggregate of the 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 shares for an additional 10 business days from the date of such public announcement.

The 2014 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 2014 Rights Plan in respect of a particular Flip-in Event that would result from a take-over bid made by way of take-over bid circular to all holders of 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 2014 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 Variable Voting Shares and Voting Shares on a combined basis 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 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 Variable Voting Shares and Voting Shares on a combined basis 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 2014 Rights Plan to correct any clerical or typographical error or to maintain the validity of the 2014 Rights Plan as a result of changes in laws or regulations. Material amendments or supplements to the 2014 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 2014 Rights Plan

Under the *Income Tax Act* (Canada) (the "**Tax Act**"), while the matter may be debated, the issue of the Rights under the 2014 Rights Plan may be a taxable benefit, the fair market of value of which must be included in the income of a recipient. The Corporation considers that the Rights, when issued, will have no or 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 realize 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 shares. Such holders are advised to consult their own legal and/or 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

Provided that (i) each person who is an annuitant, a beneficiary, an employer or a subscriber under a particular plan deals at arm's length with the Corporation, and (ii) the Corporation remains a "public corporation" for purposes of the Tax Act, the Rights will, based on the law applicable on the date hereof, 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 of the shares subject to the offer as qualified investments under the Tax Act and the regulations thereunder, 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.

> **"BE IT RESOLVED:**
>
> THAT the Amended and Restated Shareholder Rights Plan between the Corporation and CST Trust Company, which was initially adopted by the Board of Directors of the Corporation on February 3, 1999 and ratified by the shareholders on March 24, 1999, which was renewed by the Board of Directors on February 12, 2002 and ratified by the shareholders on March 27, 2002, which was again renewed by the Board of Directors on March 15, 2005, and ratified by the shareholders on April 27, 2005, which was renewed by the Board of Directors for a third time on January 16, 2008 and ratified by the shareholders on March 12, 2008, which was renewed by the Board of Directors for a fourth time on January 12, 2011 and ratified by the shareholders on March 10, 2011, and which was amended and renewed by the Board of Directors for the fifth time on December 11, 2013, 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 evidenced by the execution and delivery of such documents or instruments and the taking of such actions."

SCHEDULE C

NON-BINDING ADVISORY RESOLUTION REGARDING THE CORPORATION'S APPROACH TO EXECUTIVE COMPENSATION

"BE IT RESOLVED, on an advisory basis and without diminishing the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation set out in the Management Proxy Circular attached to this resolution."

SCHEDULE D

ADVANCE NOTICE BY-LAW

INTRODUCTION

The purpose of this Advance Notice By-Law (the "**By-law**") is to establish the conditions and framework under which holders of record of Class A Variable Voting Shares and Class B Voting Shares of the Corporation may exercise their right to submit director nominations by fixing a deadline by which such nominations must be submitted by a shareholder to the Corporation prior to any annual or special meeting of shareholders, and sets forth the information that a shareholder must include in the notice to the Corporation for the notice to be in proper written form.

It is the position of the Corporation that this By-law is beneficial to shareholders and other stakeholders.

NOMINATIONS OF DIRECTORS

1. Nomination procedures

Subject only to the *Canada Business Corporations Act* (the "**Act**") and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of directors of the Corporation (the "**Board**") may be made at any annual meeting of shareholders, or at any special meeting of shareholders, if one of the purposes for which the special meeting was called is the election of directors. Such nominations may be made in the following manner:

a. by or at the direction of the Board, including pursuant to a notice of meeting;

b. by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or

c. by any person (a "**Nominating Shareholder**"):

   (i) who, at the close of business on the date of the giving of the notice provided for below in this By-law and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and

   (ii) who complies with the notice procedures set forth below in this By-law.

2. Timely notice

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation at the head office of the Corporation.

3. Manner of timely notice

To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:

a. in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and

b. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.

4. Proper form of timely notice

To be in proper written form, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must set forth:

a. as to each person whom the Nominating Shareholder proposes to nominate for election as a director:

   (i) the name, age, business address and residential address of the person;

   (ii) the principal occupation or employment of the person;

   (iii) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;

   (iv) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

b. as to the Nominating Shareholder proposing a nomination and giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information, including a written consent to act, as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

5. Eligibility for nomination as a director

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this By-law; provided, however, that nothing in this By-law shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

6. Terms

For purposes of this By-law:

a. "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at www.sedar.com; and

b. "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada.

7. Delivery of notice

Notwithstanding any other provision of this By-law, notice given to the Corporate Secretary of the Corporation pursuant to this By-law may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the aforesaid address) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Corporate Secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Montreal time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

8. Board Discretion

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this By-law.

ANY QUESTIONS AND REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO TRANSAT PROXY SOLICITATION AGENT:

NORTH AMERICAN TOLL FREE PHONE:

1-866-822-1239

Banks, brokers and collect calls: 201-806-2222
Toll free facsimile: 1-888-509-5907
Email: inquiries@phoenixadvisorscst.com

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