



# Corporate governance At Transat



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Transat A.T. Inc. believes that a good corporate governance system is a valuable asset that encourages performance and supports the value of shareholder equity. Transat's Board of Directors and senior executives follow new corporate governance trends, guidelines and regulations very closely.

Proactive and avant-garde corporate governance is a cornerstone for the efficient management of the Corporation and practices must stay abreast of the changing business world and regulatory framework. To keep in step with these changes, Transat has undertaken to review its corporate governance rules regularly, to meet the requirements of regulatory authorities and to reflect any related change. For a more detailed explanation of this topic, please refer to the Management Proxy Circular for January 21, 2008, which contains a description of the Corporation's practices regarding its various legal obligations. The Corporation believes that good corporate governance is an important asset that promotes and enhances performance and protects the value of shareholder equity.

## 1. A corporate governance manual

In addition to a well-established system of corporate governance practices, the Corporation has given the Corporate Governance and Nominating Committee a mandate to oversee the development of the Corporate Governance Manual (hereinafter the "Manual"), which was adopted by the Board on February 4, 2003. The latest update incorporating new trends and regulations was adopted by the Board on December 13, 2007.

The Board assumes responsibility for all corporate management and is vested with all powers and authority necessary to manage and control the affairs of the Corporation. The role and mandate of the Board is defined in the Manual, which also provides that the Board must:

1. supervise and contribute to the Corporation's strategic planning process, while taking into consideration the identification of the opportunities or risks for the Corporation, its mission and its objectives;
2. plan for the hiring, compensation and development of directors, as well as planning for their succession;
3. evaluate the skills of the President and Chief Executive Officer and of the senior executives of the Corporation;
4. act in the best interests of all shareholders and provide an adequate and efficient communications policy;
5. where necessary, intervene in management decisions and decide on any issue of importance to the Corporation, based on its judgment in order to protect shareholder equity; and
6. ensure compliance with legislation and regulatory standards.

Because the Manual is an evolving document, the Board ensures that it meets with changing regulatory standards. In addition to the Manual, the Corporation, through its Corporate Governance and Nominating Committee, has developed a Code of Ethics that reflects the Corporation's commitment to ethics. The Code of Ethics primarily reflects the importance the Corporation gives to meeting its objective of maintaining proactive corporate governance practices.

The Corporate Governance and Nominating Committee closely monitors evolving corporate governance guidelines and best practices. Each year, it also reviews the overall performance of the Board of Directors.

The Committee regularly reviews its corporate governance practices in light of developing requirements and practices in this area. As new provisions come into effect, the Committee reassesses the Corporation's practices and, where necessary, recommends changes in accordance with the requirements of National Instrument 58-101 Disclosure of Corporate Governance Practices adopted by the Canadian Securities Administrators (CSA).

## **2. The Chairman of the Board of Directors, the President and Chief Executive Officer and the Lead Director**

The Chairman of the Board is responsible for the efficient operation of the Board, while the President and Chief Executive Officer of the Corporation, who reports to the Board, is responsible for the general direction and management of the Corporation. His responsibilities are described more fully in Schedule A attached hereto.

The President and Chief Executive Officer of the Corporation combines the functions of Chairman of the Board and President and Chief Executive Officer of the Corporation, as he is the founder of the Corporation and is involved in management of its daily operations. His responsibilities are described more fully in Schedule B attached hereto.

On February 23, 2012 and March 15, 2012, the Corporation announced changes to the governance structure of its Board with the appointment of a single Lead Director. Each of the Human Resources and Compensation Committee, the Corporate Governance and Nominating Committee and the Audit Committee is chaired by an independent director. Each of these directors has the responsibility of chairing and coordinating the meetings of the committees for which he is responsible and of accounting to the members of the Board, to the Chairman of the Board and to the President and Chief Executive Officer for the content of these meetings, their decisions and their recommendations. They report the issues and recommendations of the other directors, if any, to the Lead Director designated each year. The Lead Director's responsibilities are described more fully in Schedule C attached hereto.

## **3. Committees of the Board**

The Board of Directors works in conjunction with the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance and Nominating Committee. The Board and each of its Committees have charters, which are renewed annually; they state their respective mandates and define the roles and responsibilities of members, including each Chair.

#### **4. National instruments of the Canadian Securities Administrators and obligations in respect of the monitoring of financial markets in Canada**

The Corporation ensures that it closely follows new governance trends and new rules regarding corporate governance and securities.

In January 2004, the CSA issued its rules on corporate governance, internal controls and audit committees. These rules propose the best corporate governance practices that reflect recent legislative and regulatory developments in this area. Moreover, the rules on continuous disclosure have been reinforced; the Corporation ensures that it complies with the rules and monitors all modifications in this area. The Corporation takes all necessary measures to comply with them.

The new CSA audit committee rules set forth requirements regarding the composition, independence standards and responsibilities of audit committees, as well as information disclosure obligations with respect to matters related to audits and the continuous-disclosure requirement.

The Corporation continues to take all necessary measures to comply with the CSA rules and to remain in the vanguard of on governance trends.

#### **SCHEDULE A**

##### **Chairman of the Board**

The Board of Directors is the highest level of authority and responsibility in the Corporation. The Chairman of the Board represents the Board. His main responsibilities, which give rise to a duty of accountability, are as follows:

- i. Managing the Board's business and monitoring its efficiency;
- ii. Proposing and managing the composition and structure of the Board;
- iii. Ensuring the constant and continuous renewal of the Board;
- iv. Proposing the performance standards and the descriptions of functions for the Board and the members of the committees;
- v. Managing the Board and its meetings and guiding its deliberations for strategic decision-making, particularly regarding policies;
- vi. Supervising the implementation of the decisions of the Board and its committees;
- vii. Leading internal audit work, when implemented, with the Vice-President, Finance and Administration, and Chief Financial Officer;
- viii. Ensuring that the Corporation has reliable information systems and that the directors are provided with the information they need to play their role fully and to discharge their responsibilities adequately;
- ix. Making sure to:
  - a) Establish, in consultation with the Lead Director, the agenda of the meetings of the Board and ensure that the Corporation's strategic orientation, including the Corporation's mission, vision and values, are defined and communicated to the Board for approval and that all questions of strategic importance are discussed at the Board level;

- b) Review candidates and suggest any candidate for a director position to the Governance and Nominating Committee and to the President and Chief Executive Officer, and collaborate with this committee in the selection of the candidates to be submitted to the Board for approval;
- x. Collaborating with the Human Resources Committee in establishing performance objectives for the Corporation's officers. The performance of the Chairman of the Board and the President and Chief Executive Officer is determined according to the same objectives and principles as those applicable to the other senior officers. This is reviewed each year by the Human Resources Committee without the President and Chief Executive Officer being present;
- xi. Ensuring the disclosure to all interested parties of the Board's policy on ethical and moral standards;
- xii. Ensuring that the Corporation maintains appropriate relationships with the main stakeholders, including the shareholders, the financial community, the governments and the public; and
- xiii. Supervising the implementation and updating of the Corporate Governance Manual and the Charter of the Board and its committees.

## **SCHEDULE B**

### **President and Chief Executive Officer**

The President and Chief Executive Officer reports to the Board and, as a member of the Board, is in charge of managing the Corporation's strategic planning and operations. He is also responsible for execution of the Board's directives and policies. His main responsibilities, which give rise to a duty of accountability, are as follows:

- i. Developing the Corporation's strategic orientation and mission, in consultation with the Board, monitoring this orientation, and leading all the Corporation's commercial operations;
- ii. As Chief Executive Officer of the Corporation, having the ultimate responsibility for the development and execution of the Corporation's strategy and policies and their disclosure to the main stakeholders, both internal and external;
- iii. Establishing the Corporation's organizational structure, business plans and budgets in order to achieve the goals and objectives, as agreed with the Board;
- iv. Ensuring that the Corporation establishes information and management systems that provide it with the required information to manage the Corporation efficiently and economically and that also allow it to provide the directors with the information they need to play their role fully and to discharge their responsibilities adequately;
- v. Being responsible for the Corporation's daily operations, including the annual planning process, capital management, financial management, new market penetration (with new products and in new geographical regions), acquisitions, divestments, etc., all of which must be accomplished within the strategic framework established for the Corporation;
- vi. Being responsible for the hiring, compensation and training of the officers, for evaluating their performance and for succession planning;
- vii. Ensuring the efficient use of the Corporation's available resources to achieve its strategic objectives, including the short-term and long-term growth and profit objectives;

- viii. Representing the Corporation with the main stakeholders, including the shareholders, the financial community, the governments and the public;
- ix. Enforcing the Board's policies regarding ethical and moral standards and the Corporation's full compliance with the applicable legislation and regulations; and
- x. Staying on the cutting edge of global business trends with the specific goal of being a leader in the Corporation's economic sector for strategic issues and change management, while ensuring that the corporate culture allows the Corporation to adapt to the new environment.

## **SCHEDULE C**

### **Lead Director**

The Lead Director, appointed each year at the same time as the other committee chairs, has the following responsibilities:

- i. Chairing the meetings of the Board of Directors when the Chairman of the Board of Directors, President and Chief Executive Officer is unavailable or when there is a conflict of interest;
- ii. Ensuring that the Corporation and the Board of Directors fulfill their obligations and responsibilities regarding corporate governance;
- iii. Ensuring the efficient operation of the Board of Directors so that it performs its tasks independently of management;
- iv. Reviewing conflict of interest cases related to the members of the Board of Directors as soon as they arise;
- v. In collaboration with the Chairman of the Board of Directors, President and Chief Executive Officer, establishing procedures ensuring that the Board of Directors and its committees are able to perform their work efficiently;
- vi. In collaboration with the Chairman of the Risk Management and Corporate Governance Committee, establishing procedures ensuring that the independent members of the Board of Directors are able to perform their work efficiently and independently of management;
- vii. Preparing the agenda of the meetings of the Board of Directors ensuring that the relevant documentation is transmitted to the members of the Board of Directors, such agenda being prepared in consultation with the Chairman of the Board, President and Chief Executive Officer; however, they may put on the agenda any matter that they deem appropriate;
- viii. Calling the meetings of independent directors, preparing the agenda and chairing the meetings as needed;
- ix. Chairing in camera meetings of the Board of Directors without the presence of the executive officers (including the Chairman of the Board of Directors, President and Chief Executive Officer) in order to give the directors the opportunity to discuss certain matters exhaustively and frankly and to give feedback to management;
- x. Supporting the Board of Directors in acting independently of management and of any significant shareholder of the Corporation;

- xi. Liaising if necessary between the Chairman of the Board of Directors, President and Chief Executive Officer and the independent directors for discussing issues and transmitting information between the independent directors and management;
- xii. In relation to the Chairman of the Board of Directors, President and Chief Executive Officer and the committees of the Board of Directors, reviewing and evaluating the attendance of the directors, their performance (including the evaluation of the Chairman of the Board of Directors, President and Chief Executive Officer, in consultation with the Human Resources and Compensation Committee), their compensation and the number of directors serving on the Board of Directors and its committees and their composition;
- xiii. If and when appropriate, consulting and meeting an independent director or all the independent directors and/or one or more of the non-independent directors to discuss any issue concerning corporate governance or any other issue and representing such director or directors during meetings with management; ensuring that all questions raised by the directors will be discussed;
- xiv. In collaboration with the Chairman of the Board of Directors, President and Chief Executive Officer, guiding the directors so that the Board of Directors diligently fulfills its responsibilities;
- xv. Meeting the shareholders of the Corporation, the government authorities and the members of the business community, as needed;
- xvi. Identifying, hiring and interacting with external advisors and consultants, as needed;
- xvii. Performing any other task, as needed, at the request of the Board of Directors.