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ANNUAL INFORMATION FORM

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January 26, 2017  
Fiscal Year Ended October 31, 2016

## TABLE OF CONTENTS

<b>Item 1 - Corporate Structure</b> .....	<b>1</b>
1.1 Incorporation of the Corporation .....	1
1.2 Intercorporate Relationships.....	1
<b>Item 2 - Our Business</b> .....	<b>2</b>
2.1 Profile .....	2
2.2 Industry Overview.....	2
2.3 Description of the Operations .....	3
2.4 Raw Materials and Energy Prices.....	13
2.5 Economic Cycles .....	13
2.6 Environmental and Social Responsibility.....	14
2.7 Human Resources.....	15
2.8 Properties .....	16
2.9 Reorganizations.....	16
2.10 Strategic Acquisitions and Business Development.....	16
2.11 Significant Acquisition.....	17
2.12 Risk Factors.....	17
<b>Item 3 - Highlights of the Last Three Fiscal Years</b> .....	<b>17</b>
<b>Item 4 - Capital Structure of the Corporation</b> .....	<b>19</b>
4.1 General Description of the Capital Structure .....	19
4.2 Ratings .....	20
4.3 Normal Course Issuer Bid .....	20
4.4 Management's Discussion and Analysis of the Financial Condition and Results of Operations.....	21
4.5 Market for Securities.....	21
<b>Item 5 - Our Dividend Policy</b> .....	<b>22</b>
<b>Item 6 - Directors and Officers</b> .....	<b>23</b>
<b>Item 7 - Proceedings</b> .....	<b>26</b>
<b>Item 8 - Material Contracts</b> .....	<b>26</b>
<b>Item 9 - Transfer Agent and Registrar</b> .....	<b>26</b>
<b>Item 10 - Information Regarding the Audit Committee</b> .....	<b>26</b>
10.1 Charter of the Corporation's Audit Committee .....	26
10.2 Composition of the Audit Committee .....	26
10.3 Background and Related Experience .....	27
10.4 Reliance on Certain Exemptions .....	27
10.5 Policies and Procedure Regarding Prior Approval .....	27
10.6 Fees Relating to the Services of the External Auditors .....	27
<b>Item 11 - Forward-Looking Statements</b> .....	<b>28</b>
<b>Item 12 - Additional Information</b> .....	<b>29</b>
Schedule A - Mandate of the Audit Committee.....	30

Note: In this Annual Information Form, all dollar figures are in Canadian dollars, unless otherwise specified. All the information contained in this Annual Information Form is up to date as of October 31, 2016 unless otherwise specified.

## **Item 1 - Corporate Structure**

### **1.1 Incorporation of the Corporation**

Transcontinental Inc. (the "Corporation") was incorporated under the *Canada Business Corporations Act* by Certificate of Incorporation dated March 3, 1978. A Restated Certificate of Incorporation was issued to the Corporation on October 7, 1988 containing amendments pertaining to the name of the Corporation, the number and appointment of directors of the Corporation and the share capital of the Corporation. Since the issuance of the Restated Certificate of Incorporation, the Articles of Incorporation have again been modified. Specifically, on March 27, 2003, the Corporation modified its corporate name from G.T.C. Transcontinental Group Ltd. to Transcontinental Inc. and split the number of Class A Subordinate Voting Shares and the number of Class B Shares on the basis of two Class A Subordinate Voting Shares for each Class A Subordinate Voting Share held and two Class B Shares for each Class B Share held, all of which took effect on April 10, 2003.

The registered office of the Corporation is located at 1 Place Ville Marie, Suite 3240, Montréal, Québec H3B 0G1.

In this Annual Information Form, the term "Corporation" means Transcontinental Inc. and the expressions "TC Transcontinental" and "we" mean, depending upon the context, the Corporation, its subsidiaries (which include, for purposes of this Annual Information Form, partnerships, trusts and other unincorporated business entities) and other affiliated entities of the Corporation, or one or more of its affiliated entities.

### **1.2 Intercorporate Relationships**

The Corporation's significant direct or indirect subsidiaries as of October 31, 2016 as well as their jurisdiction of creation are shown on the following corporate chart:

The Corporation has other subsidiaries, but they have not been included in the chart because each represents less than 10% of our total consolidated assets and less than 10% of our total consolidated operating revenues as of October 31, 2016. These other subsidiaries together represented less than 20% of our total consolidated assets and less than 20% of our total consolidated operating revenues as of October 31, 2016. All of the shares or units of such subsidiaries are held directly or indirectly by the Corporation.

## **Item 2 - Our Business**

### **2.1 Profile**

Canada's largest printer, with operations in print, flexible packaging, publishing and digital media, TC Transcontinental's mission is to create products and services that allow businesses to attract, reach and retain their target customers.

Respect, teamwork, performance and innovation are strong values held by the Corporation and its employees. The Corporation's commitment to all stakeholders is to pursue its business and philanthropic activities in a responsible manner.

Transcontinental Inc. (TSX: TCL.A, TCL.B), known as TC Transcontinental, has close to 8,000 employees in Canada and the United States, and revenues of C\$2 billion in 2016.

We operate under two principal sectors, which consist of the Printing and Packaging Sector and the Media Sector. Our Printing and Packaging Sector is comprised of the Printing division and of the Packaging division and our Media Sector is comprised of the Local Solutions Group and the Business and Education Group.

#### **Printing and Packaging Sector**

Our manufacturing operations are combined in our Printing and Packaging Sector under a single management structure.

Largest printer in Canada and one of the largest in North America, TC Transcontinental Printing has over 4,500 employees and a network of 18 state-of-the-art plants. The Printing division offers an array of premedia services as well as innovative print solutions such as retail flyers, newspapers, magazines, colour books, in-store marketing products and personalized and mass marketing products. It also distributes flyers and newspapers through *Publisac* in Québec and Targeo, a pan-Canadian distribution brokerage service.

TC Transcontinental Packaging, which has close to 900 employees in the United States and Canada, ranks among the 25 leading flexible packaging suppliers in North America. Its platform includes a premedia studio and five production plants specializing, among others, in the flexographic printing and lamination of plastic films as well as the manufacturing of bags and pouches. The Packaging division offers an array of innovative solutions to a variety of industries, including the dairy, coffee, snack foods, confectionery, fresh and frozen food, cigar and pet food markets.

#### **Media Sector**

TC Media is a media industry leader in Canada, employing nearly 2,000 people. TC Media is the largest publisher of local and regional multi-platform newspapers in Québec and the Atlantic provinces. The sector also has flagship brands catering to the business community and the financial services sector, including a major event planning component. TC Media is also positioned as Canada's largest publisher of French-language educational resources.

### **2.2 Industry Overview**

The ongoing transformation in the media and marketing industries has had a profound impact on the entire print and publishing industry. Print products remain a key component of the marketing mix used by marketers, but their growth is limited by the increasing emphasis placed on new media and communication platforms such as mobile devices and digital channels. The printers who will emerge from this evolving market are those who possess efficient technologies in order to reduce their production costs, who offer a national network that brings them close to their customers, and who provide a comprehensive set of integrated solutions.

TC Transcontinental has always sought to grow by introducing innovative products and services and by making strategic acquisitions. The primary factors in our success have been listening to the needs of our customers and accompanying them in their own development. We plan to continue on this path by implementing a development plan that is designed to maintain and strengthen our leading position in our core operations, and to leverage our manufacturing skills and know-how to build a strong avenue of growth in the packaging industry.

## 2.3 Description of the Operations

The following table sets forth the revenues and the percentage of revenues by operating sector of TC Transcontinental for the fiscal years ended October 31, 2016 and 2015.

(in millions of dollars except for percentages)	Fiscal Years Ended October 31			
	2016 (\$)	2016 (%)	2015 (\$)	2015 (%)
Printing and Packaging Sector	1,754.6	86.9	1,679.1 <sup>(1)</sup>	83.9 <sup>(1)</sup>
Media Sector	312.3	15.5	376.6 <sup>(1)</sup>	18.8 <sup>(1)</sup>
Inter-segment sales and other activities	(47.4)	(2.4)	(53.5) <sup>(1)</sup>	(2.7) <sup>(1)</sup>
Total	2,019.5	100.0	2,002.2	100.0

(1) The Corporation revised its organizational structure. Accordingly, certain comparative figures were reclassified to reflect these changes.

### A) Printing and Packaging Sector

#### *Principal Markets*

We operate our production printing and packaging plants throughout Canada and the United States, with a view to offer our customers a complete line of specialized services for the production of printed material, from the beginning to the end of the graphical production line, which cover:

- printing services including production on sheet-fed press, heat-set and cold-set web presses, ink jet printers, laser, digital printers and flexographic presses;
- premedia services;
- post-press services including finishing, lamination/coating, case and perfect binding/stitching and folding, customized ink jet printing, branding, trimming and inserting; and
- fulfillment and distribution services including postal management and shipping.

We believe that our strategic focus on putting in place hybrid production plants (printing of newspapers and flyers on the same press) and reducing production costs of the printing products that we create has allowed us to offer our customers superior quality products at very competitive prices.

Given the geographic location of our plants and the type of equipment we own, we are able to serve local, regional and national markets. The simultaneous printing of a single product in several plants leads to a reduction in transportation costs for the customer and allows for shorter lead times. Our operating flexibility allows us to transfer work from one plant to another to meet production deadlines while enabling us to handle contingencies.

In Québec, through our popular *Publisac* door-to-door distribution service, we deliver newspapers, flyers and advertising printed products to 3.5 million households, which makes us the leader in this industry in Eastern Canada. We also offer, through our Targeo division, a Canada-wide distribution brokerage service.

TC Transcontinental entered into the packaging market with its acquisition in 2014 of Capri Packaging and has continued to grow this division, amongst others, through the completion of three more acquisitions. TC Transcontinental Packaging uses flexographic printing and lamination technologies to convert multi-layered plastic films into packaging materials for a variety of industries, including dairy, coffee, snack foods, confectionery, fresh and frozen foods, cigar and pet food markets. TC Transcontinental Packaging also offers graphic services and premedia solutions to its customers. In 2016, the Corporation acquired Robbie Manufacturing, Inc., a flexible packaging supplier located in Lenexa, Kansas and Flexstar Packaging Inc., a flexible packaging supplier based in Richmond, British Columbia, which enables TC Transcontinental Packaging to extend its footprint to the West Coast and to bring new manufacturing capabilities with film extrusion.

## *Equipment and Manufacturing Process*

### **Printing Division**

Our equipment and manufacturing processes allow for short make-ready time, speed in printing, superior reproduction quality and product differentiation. Most of our presses and printers are computer-controlled, and many have in-line finishing capabilities. Technical compatibility between presses gives tremendous flexibility and allows us to adapt easily to last-minute changes and ensure delivery seven days a week.

The quality of printing services is ensured by expert staff in compliance with industry standards. We currently use the services of the laboratories of the Québec Institute of Graphic Communications. These ultramodern installations allow for the ongoing analysis of the inks, papers and other raw materials used by our network of plants. Thereafter, we share the results with our suppliers in order to quickly correct any problems or discrepancies, thus ensuring our high level of quality.

Our heat-set, cold-set and sheet-fed presses use the offset printing process. This process is characterized by the transfer of a printing plate image to a rubber surface, called a blanket, which is mounted on a cylinder. This blanket is first rolled over the printing plate in order to receive the image, which is then transferred to paper. The web printing process consists of printing on rolls of paper while the sheet-fed printing process consists of printing on sheets of paper. Short-run printing is generally best served by sheet-fed, while longer run printing is generally best served by web.

The heat-set web offset process provides great speed (up to 90,000 copies per hour) and a better quality of printing. This process is used mainly to print magazines, periodicals, catalogues, flyers, newspaper inserts, tabloids, books, directories and direct mail products.

Cold-set offset printing is used mainly to print newspapers.

The majority of our production plants are equipped with premedia equipment that allows carrying out the various stages of graphic production with the help of digital technology. Skills developed by us with electronic premedia equipment are used in all market segments to further reduce production lead times while increasing the opportunity for last-minute changes.

We are able to provide our customers with direct digital imaging services that streamline the process of preparing pages for print, and allow use of data from other vehicles such as the Internet. We also have direct computer-to-plate production systems for offset printing in all of our production plants.

### **Packaging Division**

We operate a platform of flexographic presses, printing in up to 11 colors. This provides us with narrow and wide web flexographic printing capabilities. We also have flexographic plate making equipment, solventless and solvent-based adhesive laminators, and extrusion laminators as well as slitters.

A large part of the packaging produced by TC Transcontinental Packaging serves private-label customers, who typically require many individual items and small order quantities, with short lead times. The equipment of TC Transcontinental Packaging was designed and built to serve this segment of the industry at a time when larger converters were unable to meet these needs. TC Transcontinental Packaging also has wide web capabilities, allowing it to serve both small and larger customers.

TC Transcontinental Packaging prints using flexographic printing presses common to the flexible packaging industry. This technology involves the transfer of ink to a polymer printing plate mounted on a cylinder, which is then transferred to the substrate and dried. This web printing process consists of printing on rolls of packaging materials which are commonly thin-gauged films with properties designed for high-speed printing.

The solventless adhesive lamination process, which releases no emission and requires no ovens, involves lamination of the printed substrate to a sealant film with a two-component adhesive system. Once mixed, the two components in the adhesive react and begin to cure, bonding the two substrates together. The combined layers are kept in roll form until the adhesive has cured, after which the large master rolls are slit out into the finished rolls and shipped to the

customer. TC Transcontinental Packaging also laminates films with solvent-based adhesives which provide high tack qualities for substrates (with low energy surface) such as polystyrene and provides flexibility to produce very specialized films. Solvent-based adhesives also are preferred for challenging applications such as packaging corrosive products and high heat (retort) applications. Extrusion lamination provides another unique laminating technology, typically offering a more cost-effective technology for large production campaigns. With the acquisition of Flexstar Packaging Inc., we have acquired new manufacturing capabilities with film extrusion.

### *Customers and Competition*

No single customer of the Printing and Packaging Sector accounted for more than 10% of the sector's revenues during the last two fiscal years. We have entered into contracts with a significant number of our major customers in the Printing and Packaging Sector. Such contracts have terms between one to 12 years and generally have price adjustment clauses based on volume, cost of raw materials, labour and/or the Consumer Price Index. Niche markets such as sheet-fed printing and printing of direct marketing materials are not typically subject to long-term contracts with customers. During fiscal 2016, one customer accounted for approximately 35% of the revenues of our Packaging division.

### **Printing Division**

Customers of the printing operations are typically publishers (newspapers, magazines and books) and marketers (retailers, financial institutions, advertisers and agencies).

Although we are the largest printer in Canada, and one of the largest in North America, the printing industry is highly competitive with respect to all categories of products and regions. Furthermore, this industry is North American in scope in several markets providing opportunities for a diverse set of competitors from both the United States and Canada. At this time, several of the industry's segments are facing challenges with overcapacity and secular shift to digital media which is impacting all geographic regions in North America, adding increased pricing pressure in the market. Some North American companies involved in those printing activities have greater capacity and financial resources than we do. We compete in certain market segments with several large firms in North America, including LSC Communications, Inc. and Quad/Graphics, Inc., as well as with numerous Canadian printers, including St. Joseph Print Group Inc., Solisco Printers Inc., The Lowe-Martin Group, Advocate Printing & Publishing Inc., Friesens Corporation, Marquis Book Printing, Quebecor Media Inc. and many others. These printing activities are also in competition with direct marketing players like Valassis Communications, Inc. as well as digital printing leaders such as Vistaprint N.V.

We believe that the major competitive factors in the printing business are quality and product innovation, the range of services offered, pricing, the availability of printing capacity with the appropriate equipment and state-of-the-art technology, delivery lead times, distribution capacity and customer service. The development of new printing technologies at reduced prices, especially digital presses, is also enabling small-niche printers to compete on specialized segments of the industry.

Over the past five years, the Canadian retail landscape has evolved: some U.S. retailers made their entry into the Canadian market or acquired Canadian retailers, whereas others were consolidated. Some retailers also continue exploring interactive flyers and digital campaigns.

With regard to the printing of flyers and inserts, the competitive landscape in Canada continues to evolve. In addition to competition from other Canadian printers, the printing market is affected by the consolidation of large U.S. printers that continue to compete with Canadian printers particularly in the printing of flyers.

These changes influence the size and the dynamics of competition within the flyer and insert printing market in North America. Despite these trends, TC Transcontinental Printing's flyer printing volume has remained stable over the past years. The renewal of existing contracts with large retailers and the signing of new ones confirm that we remain the printer of choice within this market segment in Canada.

Furthermore, publishers of newspapers, magazines and books are investing in the digital distribution of their content either through the web or mobile devices with applications, paywalls or online newsstands.

By distributing most of the flyers of major national, regional and local retailers each week, the Distribution Group is a leader in the distribution market in the Province of Québec and in certain of the Atlantic provinces. The Distribution Group competes for distribution of advertising material and other products with daily and weekly newspapers, direct mail services and some other distribution companies as well as Canada Post. We believe that the most significant competitive factors in the distribution business in Québec are pricing, quality of service, delivery lead times, and the ability to make targeted distribution and market penetration. It is the reach of our network that differentiates us in the market from our competitors and the convenience of our methods that make us one of the market leaders in this industry.

### **Packaging Division**

Customers of our packaging activities are typically packaged food, cigars and household goods companies.

The entry into packaging operations represents an important move for TC Transcontinental and a new growth segment. In the year preceding the acquisition of Capri Packaging, we diligently evaluated various industries where we could leverage our manufacturing expertise. The packaging segment was identified as a natural fit, with manufacturing processes very similar to those of TC Transcontinental's print operations and growth opportunities.

Previously, as a wholly-owned subsidiary of its largest customer, the focus on external sales growth was limited at Transcontinental Capri, where third party sales were more or less opportunistic attempts to use excess capacity and avoid idling capital assets and skilled human resources. Sales development was, therefore, without a doubt one of the most important elements required to grow. Now, with the acquisition of Ultra Flex Packaging Corp., Robbie Manufacturing, Inc. and Flexstar Packaging Inc., TC Transcontinental Packaging is able to cover the United States as well as the Canadian markets from coast to coast.

Our current capabilities are laminated and coated film converting, including bag and pouch making, premedia service and printing. Our ability to produce high quality high barrier films confers us with not only the ability to expand into other food segments but the credibility to do so. Furthermore, the strength of our graphic services offering is on par with that of larger, more diversified converters – which makes us well positioned to grow in both dairy packaging and other food segments that require complex structures.

We compete in certain market segments with several large firms in North America, including Bemis Company, Inc., Berry Plastics Group Inc., Coveris Holdings S.A., Sonoco Products Company, Prolamina Corporation, Kendall Packaging Corporation, Winpak Ltd. and several small converters.

### ***Revenues by Geographic Region***

The following table sets forth the revenues and the percentage of revenues based on their geographic distribution for the Printing and Packaging Sector for the fiscal years ended October 31, 2016 and 2015.

(in millions of dollars except for percentages)	Fiscal Years Ended October 31			
	2016 (\$)	2016 (%)	2015 (\$)	2015 (%)
Revenues generated from plants in Canada	1,339.5	76.3	1,371.9 <sup>(1)</sup>	81.7 <sup>(1)</sup>
Exports from plants in Canada	120.7	6.9	114.7 <sup>(1)</sup>	6.8 <sup>(1)</sup>
Revenues generated from plants in the United States	294.4	16.8	192.5 <sup>(1)</sup>	11.5 <sup>(1)</sup>
Total	1,754.6	100.0	1,679.1	100.0

(1) The Corporation revised its organizational structure. Accordingly, certain comparative figures were reclassified to reflect these changes.

### ***Seasonal Variations***

Generally, TC Transcontinental Printing's revenues are subject to seasonal variations, with the increases in the second and fourth quarters being the most pronounced. More specifically, demand for printing of advertising and



promotional products peaks during the spring and fall seasons in advance of periods of increased consumer spending.

Depending on the product category in the Packaging division, seasonal factors can contribute to changes in revenues and net income for a particular quarter. As such, some food packaging types are by their very nature more seasonal due to harvest cycles, holidays, religious celebrations or sporting events. For example, the first and fourth quarters are favorable to cheese packaging due to holidays and marketing events. In general, fall and winter holidays furnish prime marketing opportunities for food producers, who take advantage of seasonal shopping trends with more products on shelves and different formats including gift pack, multi-unit SKUs and other specialized product packages.

### ***Production and Services***

Our manufacturing operations are combined in the Printing and Packaging Sector under a single management structure.

In 2016, the Corporation revised its organizational structure to combine the promotional activities offered to retailers within the Printing division. As a result, distribution activities and premedia services have been transferred under the responsibility of the Printing and Packaging Sector.

### **Printing Division**

TC Transcontinental Printing's operations are divided into five Groups: Retail and Newspaper, Magazine and Book, Marketing Products, Premedia and, finally, Distribution. With state-of-the-art equipment and a history of having invested above the industry average, we are well positioned to remain a leader in our Groups.

#### **Retail and Newspaper Group**

The Retail and Newspaper Group is comprised of both retail and newspaper printing plants, including our hybrid printing platform.

TC Transcontinental Printing is the largest printer of retail flyers and inserts in Canada. Our Canada-wide printing network allows us to serve national, regional and local customers in a cost effective and timely manner. The Retail and Newspaper Group's customers are predominantly in the food, pharmacy, home improvement and specialty retailer categories.

TC Transcontinental Printing is also the largest printer of newspapers in Canada. As of the date hereof, newspapers are produced in 10 plants located in six provinces of Canada and one in Fremont, California, of which five are specialized in printing newspapers only and five in printing both newspapers and flyers. The list of customers is comprised of more than 200 newspapers across the country (including 18 paid dailies of which nine are owned by TC Transcontinental). The dailies include the *San Francisco Chronicle*, *The Globe and Mail* in its principal markets (the Atlantic provinces, Québec, Ontario, Alberta and British Columbia), *Calgary Herald*, *The Vancouver Sun*, the *Toronto Star*, *The St-John's Telegram* in Newfoundland and Labrador, *Le Droit* in Québec and Ontario, *Le Soleil* in Québec City, *Le Nouvelliste* in Trois-Rivières, *Métro* and *The Gazette* in Montréal as well as *Metro* in Halifax.

In the midst of a difficult advertising market, there has been renewed interest in our unique newspaper printing outsourcing model. Our innovative solution helps newspaper publishers increase efficiency. In 2014, we signed another contract with Postmedia Network to print *The Gazette* newspaper in Montréal, bringing the number of print outsourcing contracts with this customer to three (including *Calgary Herald* and *The Vancouver Sun* contracts signed in 2013). Printing of the *Calgary Herald* commenced in October 2013 and of *The Vancouver Sun* in January 2015. In 2016, we signed an agreement with Torstar Corporation to print their *Toronto Star* daily newspaper for five years with a possibility of extension, which services started in July 2016. Other publishers have also expressed an interest in our solution. In all cases, we will prioritize opportunities which can be integrated into our existing platform without material additional investment.

During fiscal 2016, we have renewed several multi-years agreements with major retailers for a total valued at approximately \$250 million.

### Magazine and Book Group

With four plants specialized in magazine printing located in Québec, Ontario, and Manitoba, the Magazine and Book Group prints more than 300 magazines, making it the largest magazine printer in Canada.

On March 1, 2014, we signed a three-year contract with several subsidiaries of Quebecor Media Inc. to print books, magazines and other promotional materials.

On November 17, 2014, in connection with the sale of our consumer magazines to TVA Group Inc., we signed a seven-year contract to print these magazines. In 2015, this agreement was amended to increase volume of services rendered to Quebecor Media Inc.

Additionally, we have renewed several multi-year agreements with major customers for a total valued at approximately \$24 million.

### Marketing Products Group

Goods of this Group are produced across three production plants specializing in digital and offset commercial printing of marketing products. They are located in Ontario, Québec and Manitoba serving a wide array of large and small customers as diverse as advertising agencies to blue-chip corporations in the financial and pharmaceutical sectors.

The production lines of sheet-fed presses, web presses, digital printers and large format presses enable TC Transcontinental to support its customers with their marketing, business and consumer directed advertising material, point of purchase displays, banners, annual reports, etc. Our inserting, personalization by ink-jet printing and lasering as well as our mailing capabilities can support our customers' direct marketing campaigns. This Group also offers fulfillment services to our customers.

For several customers such as financial institutions, pharmaceutical corporations, retailers and manufacturing companies, targeted printed material is the vehicle of choice for efficiently promoting their image as well as their products and services. Therefore, this Group produces various printed materials used in marketing such as brochures, etc.

TC Transcontinental Printing has also developed a high-potential in-store marketing niche, including the printing of point-of-purchase materials and the printing of promotional material. The broader in-store marketing segment is of interest to us because it is often characterized by recurring contracts with major retailers with whom we currently do business.

### Premedia Group

TC Transcontinental Printing's Premedia Group is a promotional content creator for the majority of Canada's largest brands and retailers providing fully integrated solutions for printed flyers in addition to digital and multichannel platforms. We offer all aspects of content creation from inception to completion including strategic creative and design, page production, copywriting and editing, language services, photography (in studio or external) and video production.

### Distribution Group

Our distribution operations include multiple services such as door-to-door distribution to all households in Québec through *Publisac*, a medium that holds the majority of large retailers' flyers, independent newspapers in Québec, as well as our own weekly newspapers.

Through our Targeo division located in Toronto, we offer national retailers the possibility to reduce their management fees by outsourcing the coordination of their flyer program across Canada. In this regard, we have a database and commercial relationships with more than 1,000 distribution partners in the territories that are not directly served by TC Transcontinental. This represents about 10 million households that are served by Targeo, in addition to the 3.5 million households served directly by the Distribution Group.

With a view to increase our advertisers' return on investment, we also provide them with a range of services such as socio-demographic database access and on-going control over distribution points which enables them to measure the efficiency of their flyers and target consumers.

### **Packaging Division**

May 2014 marked the beginning of our flexible packaging operations with the acquisition of Capri Packaging, a division of Schreiber Foods, Inc. Capri Packaging, now known as Transcontinental Capri, operates two facilities in Clinton, Missouri, which employ close to 200 people. As part of the transaction, Schreiber Foods, Inc. signed a 10-year agreement to secure Capri Packaging as a strategic supplier of printed flexible packaging. This agreement generated approximately 35% of TC Transcontinental Packaging's total revenues during the fiscal year ended October 31, 2016.

In August 2014, Transcontinental Capri received GMI (Graphic Measures International) certification following an in-depth review of manufacturing processes and controls spanning the plants' entire production chain. GMI offers scientific print-quality management and brand integrity programs to the global marketplace. The GMI certification validates a packaging supplier's ability to deliver consistent quality. Transcontinental Capri is also IMS (Interstate Milk Shippers) approved.

In March 2015, Transcontinental Capri received Safe Quality Food (SQF) Level 3 certification, an audit standard compliance with Global Food Safety Initiative (GFSI) requirements, established by the Safe Quality Food Institute. The aim of this program is to provide consumers an assurance of food safety all the way through the food supply chain by implementing robust and documented food safety control mechanisms.

In October 2015, the Corporation acquired Ultra Flex Packaging, now known as Transcontinental Ultra Flex, a supplier of printed flexible packaging, laminator and converter of packaging solutions based in Brooklyn, New York that focuses, among other things, on the beverage and food market segments.

In June 2016, the Corporation acquired Robbie Manufacturing, now known as Transcontinental Robbie, a flexible packaging supplier located in Lenexa, Kansas. Transcontinental Robbie specializes in on-site packaging needs for grocery stores, shrink wrap packaging of multipack consumer goods and packaging solutions for food processors.

In October, 2016, the Corporation acquired Flexstar Packaging, now known as Transcontinental Flexstar, a flexible packaging supplier based in the Vancouver suburb of Richmond, British Columbia. Transcontinental Flexstar specializes in converting high barrier film, including printing, lamination and pouch making, for the cereal, confectionery, snack, frozen food and coffee markets.

TC Transcontinental's Packaging division also provides premedia services such as production art, brand guideline adaptation, prepress, color management, proofing, and solvent and thermal plate making. We produce superior packaging artwork and files, and we manage and support in the execution of projects from concept to shelf for some of Canada's largest retailers, consumer packaged goods companies and flexo printer / converters.

The packaging operations are focused on manufacturing excellence, leveraging TC Transcontinental's manufacturing competency developed over the past 40 years, quality and food safety standards and a dedication to customer-first service.

## **B) Media Sector**

### ***Principal Markets***

The core competency of TC Media is creating high-quality content and deploying it on multiple platforms to consumers based on its consumer knowledge. TC Media connects advertisers with consumers using engaging content channeled through its brands. TC Media has a digital presence with over 160 websites that are comprised of 149 local and regional sites, six vertical sites, seven financial and other industry-specific sites, along with microsites. These sites are the local reference with respect to virtual community information.

With our newspaper portfolio that includes nine dailies and approximately 123 weekly, bi-weekly, monthly, quarterly and periodical newspapers published in the provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward

Island, New Brunswick, Québec and Ontario within the Local Solutions Group, we are the second largest publisher of local and regional newspapers in Canada.

Information is increasingly being distributed on various digital platforms and the creation of interactive communities of interest online has become a major trend. The Internet, as an advertising channel, has also grown significantly in recent years and has reduced the share for traditional advertising channels.

The Business and Education Group has five main business brands, *Les Affaires* and *Les Affaires Plus*, *Investment Executive* and its French language counterpart *Finance et Investissement*, *Constructo* and many other special interest publications. Together they serve business communities as well as financial and construction industries. On December 1, 2016, TC Media acquired all of business-to-business brands of the Advisor and Financial Services Groups from Rogers Media Inc. The brands included in this transaction are: *Advisor's Edge* and *Advisor's Edge Report* (advisor.ca), *Conseiller* and *Le journal du Conseiller* (conseiller.ca and conseiller.ca/pme), *Benefits Canada* (benefitscanada.com and smallbizadvisor.ca), *Avantages* (conseiller.ca/avantages), *Canadian Insurance Top Broker* (CITopBroker.com), *Canadian Investment Review* (InvestmentReview.com) and *Canadian Institutional Investment Network* (institutionalinvestmentnetwork.ca). Furthermore, the Business and Education Group operates jointly with CGI Group Inc. the SEAO service (the official website of the Government of Québec for tenders, allowing suppliers to bid on all government contracts). Along with publications and the SEAO service, this Group manages several websites, tablet products, digital solutions and more than 40 industry-specific conferences for business professionals.

The Business and Education Group holds rights to close to 11,500 educational book titles in its catalogue which are used in the majority of educational institutions offering courses in the French-language in Québec and in the rest of Canada. We are North America's largest French-language educational publisher covering all grade levels, from kindergarten through university, as well as related sectors such as adult education, vocational training and teachers' professional development resources. The Business and Education Group also publishes around 1,000 book titles in French and in English destined to Canadian consumers for supplemental educational (Les Éditions Caractère) and general interest books (Les Éditions Transcontinental).

### ***Equipment and Manufacturing Process***

In the Media Sector, we operate a few printing presses and printers. See Section 2.3 - Description of the Operations – (A) Printing and Packaging Sector – Equipment and Manufacturing Process and – Raw Materials and Energy Prices for information on printing presses.

### ***Customers and Competition***

TC Media's customers are typically either large national advertisers or smaller regional and local advertisers. Because of the breadth of our publications and websites, we are able to offer unique platforms and mediums to all companies that are interested in reaching their target audiences.

No single customer of TC Media has accounted for more than 5% of the sector's revenues during the last two fiscal years.

### **Local Solutions Group**

The revenues of the Local Solutions Group include primarily revenues from advertising (print and online), and to a lesser extent, from subscription and newsstand sales, as well as door-to-door flyer and commercial print distribution in three Atlantic provinces.

We are the second leading publisher of local and regional newspapers in Canada and the first in Eastern Canada. We reach more than 7.8 million readers through our traditional newspaper publications in Québec and Eastern Canada, including 1.2 million readers per week with our free daily newspaper *Métro* in the Montréal region alone. Because of their level of penetration and strong credibility, our local and regional newspapers are an excellent information tool within their targeted communities as well as an effective complement to any advertising campaign. In some markets, other existing local and regional newspapers as well as other media (television, radio, Internet and other communication or advertising platforms) compete with the Local Solutions Group for advertising sales as well as subscription and newsstand sales. Our readers continue to rely on our publications for quality information about

their local communities and interests, and our advertisers understand that we are a key conduit to these consumers. Notwithstanding the foregoing, the major trend for information and advertising is migrating to digital platforms. This has resulted in major competition for print advertising.

The revenues of the Local Solutions Group are derived primarily from advertising campaigns, including online advertising and marketing. Overall, our properties reach more than 12.5 million unique visitors per month in both French and English through our digital products and exclusive partnership agreements. We compete against “pure-play” websites, the websites of our traditional media competitors and large digital players such as search engines and social media. Increasingly innovative technologies are being deployed to enhance the user experience on our websites in an attempt to increase the time spent by visitors, gain market share, and provide better marketing opportunities for our advertisers.

### *Business and Education Group*

The Business and Education Group operates under two divisions: the Business division and the Education division.

Revenues for the Business division are generated by its advertising (print and online) revenues on our many brands, such as *Investment Executive*, *Les Affaires* or *Constructo*. We also generate subscription revenues from SEO in the construction industry and through attendance sales for several conferences offered to business communities. With regard to this Group, TC Media competes with content solutions providers such as MERX, a solution of Mediagrif Interactive Technologies Inc.

The revenues of the Education division are derived from the educational book segment which is diversified by markets, customers, subjects and titles. Its principal customers are ministries of education, school boards, elementary and high schools, CEGEPs, colleges and vocational schools, community colleges, universities and, in some cases, foreign distributors and bookstores. This division operates in all three markets of the Canadian French language educational publishing industry (the school market in Canada outside of Québec, the school market in Québec and the higher education market in Québec). Its competitors differ in each of these three markets. They include Les Éditions du Renouveau Pédagogique Inc., CEC Publishing Inc. and Les Éditions Grand Duc Inc. This division also has two other activities: supplemental educational market with Les Éditions Caractère and general interest books with Les Éditions Caractère and Les Éditions Transcontinental, which books are distributed in bookstores and superstores.

### *Seasonal Variations*

Generally, our Media Sector’s revenues are subject to seasonal variations, with increases in the second and fourth quarters of our fiscal year being the most significant. In particular, the Business and Education Group’s revenues are highly seasonal with the majority of the revenues occurring normally in the months of June to September to correspond with the back-to-school season of educational institutions.

### *Services*

Our Media Sector operates two Groups: the Local Solutions Group and the Business and Education Group.

### **Local Solutions Group**

TC Media publishes local and regional newspapers in the provinces of Newfoundland and Labrador, Nova Scotia, Prince Edward Island, New Brunswick, Québec and Ontario. The Local Solutions Group publishes nine dailies and approximately 123 weekly, bi-weekly, monthly, bi-monthly, quarterly and periodical newspapers. With a total circulation of approximately 193,000 copies per day for the dailies and approximately 3.4 million copies per week for the weeklies, bi-weeklies, monthlies, bi-monthlies, quarterlies and periodicals, some of TC Media papers have been published for more than 100 years.

The local newspapers provide readers with a wide variety of content and information including local news, sports and special features. TC Media believes that these newspapers cultivate reader loyalty and create brand value by emphasizing local news, thereby differentiating themselves from national newspapers.

Attentive to the needs of its readers and advertisers, the Local Solutions Group regularly conducts market studies which enable us to consistently improve the quality of our products. Moreover, this Group publishes a large number of themed inserts, special sections, directories and other publications that meet the specific needs of both advertisers and readers.

We publish *Métro* in Montréal, a free daily newspaper that is distributed Monday to Friday. We are also part of a partnership that publishes *Metro* in Halifax, a free daily newspaper that is distributed weekdays in the Halifax vicinity.

All of our daily publications are also available as full-featured digital editions. Through any web browser, subscribers have instant access to a digital replica of the full printed editions of the newspapers on their computers, electronic tablet devices or smartphones, often before they hit the newsstands. For advertisers, it means that their print ads will also reach our online readers.

As information is increasingly being distributed across digital platforms, we are now seeing interactive communities of interest becoming a major trend. The share of the Internet in advertising has also grown significantly in recent years and the Local Solutions Group now operates about 150 local and regional websites that are the primary sources for local and regional information.

As more and more advertising is sold bundling print and digital offers across multiple platforms, we offer digital rehousing services to optimize digital inventory and help national advertisers expand their reach of Canadian consumers.

## **Business and Education Group**

### **Business Division**

Our Business division publishes six business publications, including one weekly title, which are listed hereunder.

<b>Economic Publications</b>	<b>Number of Issues per Year</b>	<b>Circulation</b>
<i>Constructo</i>	74	3,741 <sup>(1)</sup>
<i>Finance et investissement</i>	16	13,688 <sup>(2)</sup>
<i>Investment Executive</i>	16	40,191 <sup>(2)</sup>
<i>Les Affaires</i>	42	65,570 <sup>(3)</sup>
<i>Les Affaires plus</i>	4	61,064 <sup>(3)</sup>
<i>Voir Vert</i>	4	16,000 <sup>(2)</sup>

(1) Latest statistics from the Canadian Media Circulation Audit (C.M.C.A.) as of June 30, 2016.

(2) Internal statistics as of October 31, 2016.

(3) Latest statistics from the Alliance for Audited Media (A.A.M.) as of June 30, 2016.

The Business division also publishes special interest publications. On December 1, 2016, TC Media acquired all business-to-business brands of the Advisor and Financial Services Groups from Rogers Media Inc. The transaction comprises seven renowned brands, most of which are available on print and digital platforms, and across events, custom publishing and market research activities.

This division manages numerous Internet sites tied and not tied to its printed products as well as tablet products, digital solutions and conferences for business professionals from various industries. TC Media's strategy is to develop a multi-platform offering for its advertisers and consumers. TC Media is also one of the Government of Québec's business partners as it operates, together with CGI Group Inc., the SEAO service which is Québec's e-tendering website allowing suppliers to bid on all governmental contracts.

## Education Division

Our Education division specializes in the creation, development, adaptation, translation, publishing, commercialization and distribution of French-language educational resources, including textbooks, teachers' guides, activity books, digital resources and other related materials. Its product lines cover all grade levels, from kindergarten through university, as well as related sectors such as adult education, vocational training and teachers' professional resources. The operations of this division also include the creation, development and distribution of general interest books. The Education division's strong brands include Beauchemin, Les Éditions Caractère, Chenelière Éducation, Gaétan Morin Éditeur, Graficor, Groupe Modulo and Les Éditions Transcontinental.

We are a preferred partner of the education ministries of all Canadian provinces and territories and are the only educational publisher that has published French-language materials for all education ministries across Canada. Our Education division's mission is to support teachers and students in the implementation of learning programs and course planning by publishing quality materials and resources required for teaching and learning.

Our Education division's operations, for the most part, are divided into three segments which serve the three main school markets (the school market in Canada outside of Québec; the school market in Québec; and the higher education market mainly in Québec). In addition, we have a segment specialized in the production of professional development materials for the benefit of teachers and other professionals of the education market. We are the leading publisher in the French school market in Canada outside of Québec and in the French higher education publishing market in Canada, and we are one of the leading publishers in the French school market in Québec. Our Education division benefits from a revenue base that is diversified by market, customer, subject and title. Its catalogue is comprised of over 12,500 existing or previously published titles (these titles are commonly referred to as the backlist).

In 2013, our Education division acquired Groupe Modulo, a publisher of French-language educational resources and materials. This transaction expanded TC Media's educational offering, further strengthening its leading position in higher education in Québec and enhancing its presence in the educational market in French communities in the rest of Canada. Groupe Modulo's products serve every level of the school system, from kindergarten to university, in the French and French-immersion markets across Canada.

In 2015, our Education division acquired the *Atouts* series from Septembre éditeur inc.

### **2.4 Raw Materials and Energy Prices**

The primary raw materials the Corporation uses are paper and ink for TC Transcontinental Printing, and plastic films and inks for TC Transcontinental Packaging. TC Transcontinental's activities consume energy, in particular, electricity, natural gas and oil. Fluctuations in raw materials and energy prices affect the demand for our services.

The current difficulties in the pulp and paper industry have resulted in a decrease in the supply of paper, which in turn could result in paper price increases. While paper costs are a pass-through to customers for our printing operations, the increase in the price of paper can have a negative effect on our printing operations if it changes the purchasing habits of our customers, in terms of the number of pages printed, for example. Moreover, the increase in the price of paper negatively affects the profitability of our Media Sector. In order to mitigate this risk, the Corporation has entered into agreements with its most important suppliers in order to ensure a stable flow of resources. In addition, some agreements with our customers contain escalation clauses that index selling prices to fluctuations in raw material costs and exchange rates.

Furthermore, fluctuations in the price of oil, a core ingredient in the composition of ink and plastic film, have a direct impact on the prices of these products. Also, fluctuations in the price of oil have an impact on gasoline prices. Any increase thereto would negatively affect our distribution activities. TC Transcontinental also continues its efforts towards finding new ways to reduce energy costs.

### **2.5 Economic Cycles**

A significant risk that we face, and which we have difficulty controlling, is related to economic cycles and difficult market conditions. As well, a significant portion of our revenues depends, directly or indirectly, on retailers' advertising budgets. Advertising spending tends to be cyclical as a result of the global economic climate and

consumers' buying habits. Furthermore, significant changes, including consolidation in some industries and the migration to digital platforms, are affecting the industries of our principal advertisers, which could have an impact on the products we offer.

However, we believe we mitigate these risks through the very composition of our operations, since a substantial segment of the customer base operates in less cyclical markets, such as food. Lastly, because we have implemented a development strategy based on becoming a leader in our niches, we believe we can limit our exposure to economic cycles without, however, eliminating their occurrence or magnitude.

## 2.6 Environmental and Social Responsibility

We are subject to laws and regulations regarding the environment. These laws and regulations relate to the production, storage, transportation, disposal and emission into the environment of various substances. Permits are required for the operation of our business. We are also subject to and comply with various laws and regulations, which allow regulatory authorities to require us to proceed with the cleanup of any environmental contamination of our own sites and at facilities where our waste is or has been disposed of. In addition, we ensure compliance with environmental standards by means of an audit program carried out with the help of firms specializing in environmental issues.

Consumers are expressing increasing concern over the protection of the environment as well as sustainable development. The industries where TC Transcontinental operates (printing, packaging and publishing), notably, use large quantities of resources (paper and plastics) for their day-to-day operations. Also, the amendments introduced with the adoption of Extended Producer Responsibility bills across the country have had an adverse financial impact on the Media Sector, and more specifically on the Local Solutions Group. To mitigate this risk, we try to be at the forefront of our industry in terms of commitment to the environment and, in collaboration with our suppliers, are looking on an ongoing basis to reduce our environmental footprint.

We recognize the critical nature of sustainability and have always taken steps to promote and incorporate sustainable development in our operations by mobilizing stakeholders, supporting innovation and publicizing our achievements. TC Transcontinental is not a major contributor to greenhouse gases (GHG), but that does not mean that we are not concerned about the impact of our activities on air quality.

In fiscal 2016, we distinguished ourselves in the environmental arena and in the community. First, we have maintained our presence in the Corporate Knights ranking of the *Best 50 Corporate Citizens* in Canada. This ranking is established by measuring a broad range of environmental, social and governance (ESG) indicators. For a number of years, we have tracked our fuel and electricity use and have calculated the associated greenhouse gas emissions, reporting our results to the Carbon Disclosure Project (CDP) since 2006. In 2016, TC Transcontinental also reported for the fourth year to the CDP on forest risk commodities.

In April 2016, we tabled our *2015 Corporate Social Responsibility Report - Guide. Mobilize. Achieve*. This report articulates TC Transcontinental's commitment to the path of sustainable development and corporate responsibility and concludes our 2013-2015 three-year plan. Here are a few highlights of this report:

- As stated in our Paper Purchasing Policy, we have added a chain of custody certification logo to 90% of our Canadian publications, exceeding our 80% objective. This process ensures transparency and raises customer and consumer awareness to the importance of sustainable forestry practices.
- We have increased our purchasing of more ecological paper from the *Gold* and *Gold Plus* categories. Indeed, about 95% of our purchases are now 100% recycled or 100% covered by a chain of custody certification from a recognized sustainable forest management system, compared to 77% in 2013.
- Our accident frequency rate went from 0.85 accident per 200,000 worked hours in 2012 to 0.45 in 2015. In the same period, the accident severity rate also dropped from 24.92 to 10.59 lost days per 200,000 worked hours, surpassing each of our objectives.
- In 2015, TC Transcontinental has donated \$2.7 million, or 1.0% of its adjusted operating earnings, to over 400 non-for-profit organizations.



The 2016-2018 Corporate Social Responsibility plan was released in 2016, stating a set of 12 objectives separated in four different pillars: employees, communities, environment and prosperity. Progress towards these targets will be communicated annually.

### **Environmental Policy**

TC Transcontinental's management team and management teams from both our Media Sector and our Printing and Packaging Sector are responsible for ensuring the implementation of all items of this policy. This policy is based on the following three guiding principles:

- Protect the environment for present and future generations;
- Reduce risks and improve efficiencies; and
- Introduce improved technologies and processes.

### **Compliance with Applicable Legal Requirements**

We comply, in all material respects, with all applicable environmental laws and regulations adopted by the federal, provincial, state, municipal and local governments.

### **Pollution Prevention**

Product Stewardship – TC Transcontinental recognizes that it shares in the responsibility for the environmental impact of its products. Therefore, we cooperate with other public and private bodies to develop systems for the recovery, re-use and recycling of the Corporation's products.

Eco-Efficiency - We strive to improve our products and processes so as to progressively reduce routine discharges of contaminants and to use resources efficiently.

Paper Purchasing Policy – We have broadened the internal and external scope of our Paper Purchasing Policy by stipulating, among other things, that recycled or certified papers be used for our printing and for our own publishing activities. As part of our commitment to continual improvement, we have reiterated our commitment to encourage our customers to choose certified papers when recycled paper is unavailable, so that by working together we can significantly diminish environmental and social impacts.

Our Paper Purchasing Policy enables us to more accurately measure the results of our ongoing efforts and to share them with customers and investors, stakeholders and organizations interested in its sustainability efforts. We drew on the expertise of environmental organization Canopy in updating our Paper Purchasing Policy, as part of an ongoing collaboration to protect Canada's boreal forests and high conservation value forests globally.

Climate Change and Energy Use - We recognize the dual challenge of climate change and energy supply security. Therefore, we will maximize the efficiency of our operations and encourage a transition to low carbon fuels and renewable energy.

Waste Management - TC Transcontinental strives to reduce its waste and to re-use and recycle materials. We strive to minimize the generation of hazardous waste.

Risk Management - We strive to avoid accidental discharges of contaminants into the environment and prepare emergency plans so that we can diligently contain any potential environmental incidents and clean up, if necessary. We evaluate environmental risks prior to acquiring properties or businesses, and prior to changing or undertaking major new activities.

## **2.7 Human Resources**

As of November 1, 2016, we had 7,736 employees. The following table presents the breakdown of our employees within our operating sectors as of November 1, 2016. Employees located at the head office and within the administrative services center are excluded.

Description	Number of Employees
Printing and Packaging Sector	5,569
Media Sector	1,808

As at November 25, 2016, 1,856 of our Canadian employees were represented by certified associations under 32 active and separate collective agreements. These agreements expire at different dates up to August 2019. Nine collective agreements covering 735 of our employees were renewed in 2016. There are presently four collective agreements, covering 218 of our employees, under negotiation. In addition, five collective agreements, covering 49 of our employees, expired in the fourth quarter of 2016 and negotiations will begin in the upcoming months. Eight other collective agreements, covering 290 of our employees, will expire in 2017. In the United States, we have only one bargaining unit with 209 unionized employees and their collective agreement expires in 2017.

With respect to our non-unionized employees, the working conditions are established between the various business units involved in compliance with corporate policies. These working conditions are subject to periodical revisions.

## 2.8 Properties

We believe that our owned and leased facilities are adequately equipped and maintained regarding existing and planned operations. Substantially all of our properties and equipment are not subject to any security interests in favour of third party lenders.

## 2.9 Reorganizations

We regularly proceed with legal reorganizations of some of our subsidiaries in order, among other considerations, to improve our organizational structure or our products and services offering, none of which have had a material effect on our activities, operations or financial results.

## 2.10 Strategic Acquisitions and Business Development

An intrinsic part of our strategy is also to grow through strategic acquisitions. We are committed to maintaining a disciplined approach when making acquisitions. We ensure that the companies we acquire fit our stringent acquisition criteria: (1) fit within our strategic plan; (2) be profitable and growing; (3) provide synergies with our operations; (4) have good management and a compatible corporate culture; and (5) be accretive to earnings and positive economic value creation (EVC) within a reasonable period of time. Over the last three years, we have made strategic acquisitions and divestitures while continuing to deliver on our disciplined financial management objective.

### Printing and Packaging Sector

On October 14, 2016, TC Transcontinental acquired Flexstar Packaging Inc., a flexible packaging supplier based in Richmond, British Columbia. Transcontinental Flexstar Inc. specializes in converting high barrier films, including printing, lamination and pouch making, for the cereal, confectionery, snack, frozen food and coffee markets. This acquisition also brings us new manufacturing capabilities with film extrusion.

On June 30, 2016, TC Transcontinental acquired Robbie Manufacturing, Inc., a flexible packaging supplier located in Lenexa, Kansas. Transcontinental Robbie Inc. specializes in on-site packaging needs for grocery stores, shrink wrap packaging of multipack consumer goods, and packaging solutions for food processors.

On October 1, 2015, TC Transcontinental acquired Ultra Flex Packaging Corp., a supplier of flexible packaging, located in Brooklyn, New York that focuses, among other things, on the beverage and food market segments.

On May 3, 2014, TC Transcontinental acquired the assets of Capri Packaging, a supplier of printed flexible packaging, located in Clinton Missouri. The seller, Schreiber Foods, Inc., signed a 10-year agreement to secure Capri Packaging as a strategic supplier of printed flexible packaging, which represented about 35% of the total revenues of the Packaging division for the fiscal year ended on October 31, 2016.

## Media Sector

During the 2016 fiscal year, we sold or closed certain digital marketing products as they were no longer strategic forces.

On April 6, 2016, TC Transcontinental concluded the acquisition of the 40 % remaining shares of Redux Media Inc., which made it a wholly-owned subsidiary of TC Transcontinental.

On May 15, 2015, our Education division acquired the *Atouts* series from Septembre éditeur inc.

On June 1, 2014, TC Transcontinental acquired the weekly newspapers of Sun Media Corporation in Québec and their related web properties.

### 2.11 Significant Acquisition

During our fiscal year ended October 31, 2016, we did not complete any significant acquisition.

### 2.12 Risk Factors

The risk factors related to the Corporation and its activities are described on pages 16 to 21 of our Management's Discussion and Analysis for the fiscal year ended October 31, 2016. The material factors that could have an effect on the results of the Corporation are divided into three types of risks, the strategic risks, the operational risks and the financial risks and include, but are not limited to: (1) Strategic risks: the effects of the transformation of the advertising market, in particular of digital product development on our printed products; the impact of the transformation of flyers, in particular the decrease in printing activities that could have a negative impact on net earnings; the impact of the increase of foreign competition in the Canadian printing market; the effects of competing with companies with more expertise and resources in the packaging industry that could require more significant development costs; the loss or change in consumption habits of a major customer that could have an effect on net earnings; the impact of a conflict of interest between the shareholders and the controlling shareholder; the impact of not properly identifying potential acquisitions in the packaging industry; the effects of our possible inability to generate organic growth in the flexible packaging industry; (2) Operational risks: the effects of the integration of acquisitions that could disrupt our operating activities; the impact of potential disclosure of confidential information of our customers that could damage our reputation and result in legal actions; the impact of potential disruption of computer systems that could adversely affect the Corporation's operations; the impact of violating users' privacy or copyrights that could damage our reputation; the impact of disruptions in our operations that could affect our ability to meet deadlines; the effects of the difficulty to attract and retain key employees in our main operating sectors; the effects of not being able to maintain and improve our operational efficiency; the effects of a change in regulations that could result in significant costs; the impact of the food industry risks resulting from our packaging operations; the impact of potential litigations resulting from our operating activities; the effects of our stakeholders' environmental concerns that could result in additional operating costs; the impact of significant fluctuations in the cost of raw materials and energy consumed; (3) Financial risks: the impact of economic cycles and difficult market conditions; the effects of our ability to collect our accounts receivable; the availability of capital at reasonable costs; the impact of interest rates fluctuations; the impact of the movement of the Canadian dollar relative to other currencies, more particularly the US dollar; the impact of disputes with tax authorities; the funding of pension plans; and the impact of impairment tests that could lead to asset write-downs.

The heading "Risks and Uncertainties" under our Management's Discussion and Analysis for the year ended October 31, 2016 is therefore incorporated herein by reference.

### Item 3 - Highlights of the Last Three Fiscal Years

In addition to the acquisitions listed under Section 2.10 - Strategic Acquisitions and Business Development, the events that have influenced the general development of our business over the past three completed fiscal years are the following:

## 2016

### Operations

- Conclusion of the sale of the majority of our commercial printing line of business operated from our Transcontinental Dartmouth plant to Advocate Printing and Publishing Company Limited.
- Execution of an agreement with Torstar Corporation to print their *Toronto Star* daily newspaper for five years, with a possibility of extension.
- Transfer of marketing product printing activities from Transcontinental Québec to other plants in our network, principally Interglobe in Beauce, resulting in the closure of the Transcontinental Québec plant.
- Execution of an exclusive agreement with the Société de transport de Montréal (STM) to distribute our *Métro* newspaper in the Montréal metro system for a period of five years.
- Conclusion of the sale of our assets in the Province of Saskatchewan, including 13 local newspapers and associated web properties to Star News Publishing Inc., resulting in the closure of the Transcontinental Saskatoon plant.

## 2015

### Operations

- Launch of the information app TC Media Nouvelles, that provides relevant local, regional and national news for local communities all across Québec.
- Closing of the Transcontinental Acme Direct plant in Montréal and transfer of these operations to Transcontinental Ross-Ellis in Lasalle and Transcontinental Interweb in Boucherville.
- Conclusion of the sale of our magazines, *Vancouver Magazine* and *Western Living*, with their websites and related products, to Yellow Pages Homes Limited, and conclusion of an agreement with the acquirer to continue printing the two magazines.
- Conclusion of the sale of our consumer magazines produced in Montréal and in Toronto, covering also the printing of these magazines by TC Transcontinental Printing and the extension until 2022 of the contracts signed in 2013 for the printing of some of TVA Group Inc.'s publications. The brands involved in this transaction include: *Coup de pouce*; *Elle Québec*; *Le Bel Âge* magazine; *recettes.qc.ca*; *Canadian Living*; *Style at Home*; *Elle Canada*; *Good Times* and *The Hockey News*.

## 2014

### Operations

- Closure of the Transcontinental Concord printing plant in Concord, Ontario and of the Transcontinental Edmonton printing plant in Edmonton, Alberta at the end of December 2014.
- Execution of a multi-year agreement with Postmedia Network Inc. to print *The Gazette*, which is published Monday to Saturday, primarily for the Montréal market.
- Amendment of the agreement to print *La Presse* newspaper to give Gesca Ltd. greater flexibility to modulate, in accordance with its needs, the printing services for the *La Presse* newspaper. The Corporation continues to be the exclusive printer of *La Presse*.
- Execution by TC Transcontinental Printing of a five-year agreement to print *The Vancouver Sun* newspaper.
- Conclusion of the sale of the assets of Rastar, a subsidiary based in Utah, USA, which specialized in personalized print products.

## Financing

- Redemption of the Cumulative 5-Year Rate Reset First Preferred Shares, Series D.
- Issuance of \$250 million senior unsecured notes due in 2019 by way of a private placement.

## Item 4 - Capital Structure of the Corporation

### 4.1 General Description of the Capital Structure

The Corporation is authorized to issue an unlimited number of Class A Subordinate Voting Shares, an unlimited number of Class B Shares and an unlimited number of Preferred Shares, all without par value.

The following table sets forth the principal rights of the shares that the Corporation is authorized to issue and that are outstanding:

Category	Rights
Class A Subordinate Voting Shares:	<p><i>Voting Rights:</i> The Class A Subordinate Voting Shares entitle the holders thereof to one vote per share.</p> <p><i>Dividends:</i> The Class A Subordinate Voting Shares entitle the holders thereof to receive, <i>pari passu</i> with the holders of Class B Shares, any and all dividends declared by the Corporation, subject to the rights of holders of Preferred Shares.</p> <p><i>Conversion:</i> The Class A Subordinate Voting Shares can be converted into Class B Shares on the basis of one for one when a takeover bid is made directly or indirectly to the Majority Group (as defined in the Articles). Moreover, they confer the same privilege when the Majority Group makes a takeover bid.</p> <p><i>Dissolution:</i> The holders of Class A Subordinate Voting Shares are entitled, <i>pari passu</i> with the holders of Class B Shares, to share the remaining assets of the Corporation following its dissolution.</p>
Class B Shares:	<p><i>Voting Rights:</i> The Class B Shares entitle the holders thereof to 20 votes per share.</p> <p><i>Dividends:</i> The Class B Shares entitle the holders thereof to receive, <i>pari passu</i> with the holders of Class A Subordinate Voting Shares, any and all dividends declared by the Corporation, subject to the rights of holders of Preferred Shares.</p> <p><i>Conversion:</i> The Class B Shares can, at any time, be converted into Class A Subordinate Voting Shares on the basis of one for one.</p> <p><i>Dissolution:</i> The holders of Class B Shares are entitled, <i>pari passu</i> with the holders of Class A Subordinate Voting Shares, to share the remaining assets of the Corporation following its dissolution.</p>

## 4.2 Ratings

We have the following credit ratings from Standard & Poor's Ratings Services ("S&P") and DBRS Limited ("DBRS").

	S&P	DBRS
Corporate Rating	BBB-/Stable--	BBB (low)/Stable
Senior Unsecured Notes	BBB-/Stable--	BBB (low)/Stable

### Corporate Rating

#### *Standard & Poor's Ratings Services*

S&P's credit ratings are opinions about credit risk. S&P's ratings express the agency's opinion about the ability and willingness of an issuer such as a corporation to meet its financial obligations in full and on time. Credit ratings can also speak to the credit quality of an individual debt issue and the relative likelihood that the issue may default.

Credit ratings are not absolute measure of default probability. Since there are future events and developments that cannot be foreseen, the assignment of credit ratings is not an exact science. Credit ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or debt issue will not default.

S&P credit ratings range from AAA to D, which represent the range from the highest to lowest quality. According to S&P, the BBB- rating is the fifth highest of 12 major rating categories. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. A BBB rating reflects S&P's opinion that the obligor has adequate capacity to meet financial commitments but is more subject to adverse economic conditions. An obligor rated "BBB-" is considered the lowest investment-grade for market participants.

A credit rating outlook notation indicates the possible direction in which a rating may move over the next six months to two years. "Positive" means it may be raised; "Negative" means it may be lowered; and "Stable" means it is unlikely to change.

#### *DBRS Limited*

According to DBRS, corporate credit ratings are forward-looking measures that assess an issuer's ability and willingness to make timely payments of principal and interest. Credit ratings are not buy, hold, or sell recommendations, but rather the result of qualitative and quantitative analysis focusing solely on the credit quality of the issuer and its underlying obligations.

DBRS credit ratings range from AAA to D, which represent the range from the highest to lowest quality. According to DBRS, the BBB rating is the fourth highest of 10 major rating categories.

All rating categories other than AAA and D also contain subcategories ("high") and ("low"). The absence of either a ("high") or ("low") designation indicates the rating is in the "middle" of the category. Long-term debt rated BBB is of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable but it may be vulnerable to future events.

Each DBRS rating category is appended with one of three rating trends - "Positive", "Stable", or "Negative". The rating trend helps to give the investor an understanding of DBRS's opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

## 4.3 Normal Course Issuer Bid

On April 12, 2016, the Corporation announced that it had received approval from the Toronto Stock Exchange to renew its normal course issuer bid and launch the 2016-2017 normal course issuer bid in order to redeem for cancellation of up to 1,000,000 of its Class A Subordinate Voting Shares (representing 1.6% of the 63,513,472 issued and outstanding Class A Subordinate Voting Shares as of April 4, 2016) and up to 226,344 of its Class B

Shares (representing 1.6% of the 14,146,526 issued and outstanding Class B Shares as at April 4, 2016) over the 12-month period starting on April 15, 2016 and ending on April 14, 2017. On December 6, 2016, the Corporation announced an amendment to its normal course issuer bid to increase the maximum number of Class A Subordinate Voting Shares that it may repurchase from 1,000,000 to 2,000,000 shares.

In connection with the 2016-2017 normal course issuer bid, the Corporation entered into an automatic purchase plan agreement ("APP") with a broker to allow for the purchase of Class A Subordinate Voting Shares and Class B Shares at times when the Corporation ordinarily would not be active in the market due to self-imposed trading blackout periods. Before entering into a blackout period, the Corporation may, but is not required to, instruct the designated broker to make purchases in accordance with the terms of the APP. Such purchases are determined by the broker in its sole discretion based on parameters established by the Corporation prior to the blackout period, in accordance with the Toronto Stock Exchange rules and applicable securities laws. Outside of the pre-determined blackout periods, Class A Subordinate Voting Shares and Class B Shares are purchased with management's discretion, within the parameters approved by the Toronto Stock Exchange.

The Corporation had also been authorized to redeem for cancellation on the open market or, subject to the approval of any securities authority, by private agreements, between April 15, 2015 and April 14, 2016 up to 1,000,000 of its Class A Subordinate Voting Shares, representing 1.6% of its 63,244,208 issued and outstanding Class A Subordinate Voting Shares as of April 2, 2015, and up to 237,250 of its Class B Shares, representing 1.6% of its 14,827,916 issued and outstanding Class B Shares as of April 2, 2015.

During the fiscal year ended October 31, 2016, the Corporation redeemed for cancellation 1,242,427 of its Class A Subordinate Voting Shares at a weighted average price of \$17.33 for a total cash consideration of \$21,535,544 and did not redeem any of its Class B Shares pursuant to the normal course issuer bid.

During the fiscal year ended October 31, 2015, the Corporation redeemed for cancellation 42,300 of its Class A Subordinate Voting Shares at a weighted average price of \$15.59 for a total cash consideration of \$659,685 and did not redeem any of its Class B Shares pursuant to the normal course issuer bid.

#### 4.4 Management's Discussion and Analysis of the Financial Condition and Results of Operations

A discussion and analysis by management of the financial condition and results of operations for the fiscal year ended October 31, 2016 is presented in our Management's Discussion and Analysis for the year ended October 31, 2016, which is incorporated herein by reference. To complement such management's discussion and analysis, reference is made to the Consolidated Financial Statements for the fiscal years ended October 31, 2016, and 2015 and the Notes to Consolidated Financial Statements, which Consolidated Financial Statements and Notes are incorporated herein by reference.

#### 4.5 Market for Securities

Our Class A Subordinate Voting Shares and our Class B Shares are listed for trading on the Toronto Stock Exchange under ticker symbols TCL.A and TCL.B, respectively.

The following tables present the monthly price variations as well as the volume of operations with respect to the Class A Subordinate Voting Shares and the Class B Shares on the Toronto Stock Exchange for the fiscal year ended October 31, 2016.

##### Class A Subordinate Voting Shares – TCL.A

Month	High (\$)	Low (\$)	Volume
November 2015	21.85	20.25	3,992,873
December 2015	21.70	16.72	6,048,885
January 2016	19.00	15.98	6,079,070
February 2016	19.44	17.21	2,906,137
March 2016	20.97	19.22	3,332,246
April 2016	20.89	19.30	2,316,844

**Class A Subordinate Voting Shares – TCL.A**

Month	High (\$)	Low (\$)	Volume
May 2016	19.84	17.88	2,115,802
June 2016	20.17	16.27	5,010,507
July 2016	19.51	17.50	2,230,042
August 2016	19.51	17.54	2,887,155
September 2016	19.37	17.25	2,841,621
October 2016	18.26	17.10	2,345,352
<b>Total</b>			<b>42,106,534</b>

**Class B Shares – TCL.B**

Month	High (\$)	Low (\$)	Volume
November 2015	21.69	20.41	13,746
December 2015	22.57	16.90	11,418
January 2016	18.84	16.31	12,513
February 2016	19.26	17.07	15,152
March 2016	20.49	19.34	11,457
April 2016	20.74	19.35	7,230
May 2016	19.59	18.25	21,260
June 2016	20.12	16.30	30,945
July 2016	19.69	17.61	37,235
August 2016	19.42	17.97	39,897
September 2016	19.39	17.31	32,514
October 2016	18.38	17.11	28,406
<b>Total</b>			<b>261,773</b>

**Item 5 - Our Dividend Policy**

Each holder of Class A Subordinate Voting Shares and Class B Shares of the Corporation is entitled to receive the dividends that the Board of Directors declares at its discretion. However, in the past, our policy has been to pay a quarterly dividend in cash. It should be noted however that our policy has been to retain the major portion of our cash flows in order to invest in different business opportunities. Currently, there are no restrictions preventing us from paying dividends.

The following table presents a summary of the cash dividends per share declared and paid by the Corporation to all holders of its Class A Subordinate Voting Shares and Class B Shares over the last three fiscal years:

**Fiscal Years Ended October 31**

2014	\$0.625
2015	\$0.67
2016	\$0.725

The Corporation paid dividends on its Preferred Shares, Series D every quarter until their redemption by the Corporation on October 15, 2014. Prior to their redemption, a cash dividend per share of \$1.6875 was declared and paid by the Corporation to all holders of Preferred Shares, Series D in fiscal year ended October 31, 2014.



On December 6, 2016, the Board of Directors of the Corporation declared a quarterly dividend of \$0.185 per share to all holders of the Corporation's Class A Subordinate Voting Shares and Class B Shares. This dividend was paid on January 19, 2017 to all shareholders of record as of the close of business on January 4, 2017.

## Item 6 - Directors and Officers

The names of our directors, their city of residence, their principal occupation, the year when they became directors, the number of voting Shares (Class A Subordinate Voting Shares and Class B Shares) of the Corporation that the directors owned beneficially or over which they exercised control or direction, as well as the number of share units held by the directors pursuant to the Deferred Share Unit Plan of the Corporation (or, in the case of directors who are also employees of the Corporation, the number of vested deferred share units granted pursuant to the Share Unit Plan of Transcontinental Inc. for executives), as of October 31, 2016 are indicated below.

Name	Principal Occupation	Director Since	Number of Class A Subordinate Voting Shares	Number of Class B Shares	Number of Deferred Share Units
Jacynthe Côté Candiac, Québec	❖ Corporate director	2016	-	-	2,881
Pierre Fitzgibbon <sup>(1)</sup> Westmount, Québec	■ Managing Partner, Walter Capital Partners (private equity)	2009	5,000	-	19,608
Richard Fortin Boucherville, Québec	◆ Corporate director	2004	6,000	-	76,982
Isabelle Marcoux <sup>(2)</sup> Montréal, Québec	Chair of the Board, Transcontinental Inc.	2005	4,000	1,000	6,062
Nathalie Marcoux <sup>(2)</sup> Town of Mount Royal, Québec	Vice President, Finance, Capinabel Inc. (holding company)	2011	-	-	24,028
Pierre Marcoux <sup>(2)</sup> Town of Mount Royal, Québec	Senior Vice President, Business and Education, TC Media	2005	5,000	1,000	576
Rémi Marcoux, C.M., O.Q., FCA Montréal, Québec	Founder and director, Transcontinental Inc.	1976	2,044 <sup>(2)</sup>	12,562,840 <sup>(2)</sup>	-
Anna Martini, FCPA, FCA Town of Mount Royal, Québec	● Corporate director	2011	-	-	32,719
François Olivier Montréal, Québec	President and Chief Executive Officer, Transcontinental Inc.	2008	21,440	-	164,203
Mario Plourde Kingsey Falls, Québec	■ President and Chief Executive Officer, Cascades Inc. (manufacturing sector – packaging and tissue products)	2015	8,300	-	7,185
François R. Roy Montréal, Québec	● Corporate director	2008	-	-	16,411
Lino A. Saputo Jr. <sup>(1)</sup> Montréal, Québec	❖ Chief Executive Officer and Vice Chairman of the Board, Saputo Inc. (consumer products – food processing)	2008	-	-	52,271
Annie Thabet Nun's Island (Verdun), Québec	■ Partner, Celtis Capital Inc. (firm specialized in transactional services and asset management)	2015	3,450	-	4,067
André Tremblay Montréal, Québec	❖ Managing partner, Trio Capital Inc. (private equity fund management)	2007	-	-	41,399

■ Member of the Corporate Governance Committee

● Member of the Audit Committee

◆ Lead Director

❖ Member of the Human Resources and Compensation Committee

(1) Messrs. Pierre Fitzgibbon and Lino A. Saputo, Jr. have recently decided not to seek re-election as members of the Board of Directors at the next annual meeting. The Corporation proposes the nomination of Mr. Jean Raymond as a director.

(2) The 2,400 Class A Subordinate Voting Shares and the 12,562,840 Class B Shares are held by Capinabel Inc. Capinabel Inc. has entered into a monetization transaction with a Canadian chartered bank relating to 4,000,000 Class B Shares held by Capinabel Inc. The monetization transaction may

be repaid in cash or through the transfer of Class A Subordinate Voting Shares. The shares of Capinabel Inc. are held directly and indirectly by Mr. Rémi Marcoux and members of his immediate family. Mr. Rémi Marcoux controls Capinabel Inc. As of January 9, 2017, the shares of Capinabel Inc. represent 73.01% of the voting rights attached to the outstanding shares of the Corporation. If the monetization transaction had been repaid on January 9, 2017 through the transfer of Class A Subordinate Voting Shares, the shares held by Capinabel Inc. would represent 63.87% of the voting rights attached to all outstanding shares of the Corporation as at January 9, 2017. Ms. Isabelle Marcoux, Ms. Nathalie Marcoux and Mr. Pierre Marcoux are members of Mr. Rémi Marcoux's immediate family.

Each director remains in office until the following annual shareholders' meeting or until the election or appointment of his successor, unless he resigns or his office becomes vacant as a result of his death, removal or other cause.

The following table sets forth the names, city of residence and position held with the Corporation of each officer of the Corporation as of the date hereof.

<b>Name and City of Residence</b>	<b>Position Held with the Corporation</b>
André Bolduc Montréal, Québec	Director of Internal Audit
Katherine Chartrand Town of Mount Royal, Québec	Director, External Communications
Isabelle Côté Saint-Lazare, Québec	Corporate Controller
Christine Desaulniers Town of Mount Royal, Québec	Chief Legal Officer and Corporate Secretary
Nelson Gentiletti Kirkland, Québec	Chief Financial and Development Officer
Benoit Guilbault Town of Mount Royal, Québec	Chief Information Officer
Isabelle Lamarre Town of Mount Royal, Québec	Assistant General Counsel and Assistant Corporate Secretary
Katya Laviolette Beaconsfield, Québec	Chief Human Resources Officer
Donald LeCavalier Montréal, Québec	Senior Vice President, Finance
Brigitte Lépine Nun's Island (Verdun), Québec	Vice President, Innovation and Strategy
Martin Longchamps Montréal, Québec	Vice President, Corporate Development
François Olivier Montréal, Québec	President and Chief Executive Officer
Brian Reid Annan, Ontario	President, TC Transcontinental Printing and TC Transcontinental Packaging

The directors and officers of the Corporation who have not held their principal occupation with the Corporation for more than five years have had the following principal occupations during the last five years (except where a director or officer has occupied more than one position in the same company or an affiliate thereof, only the date of his appointment to his current position is indicated):

- Ms Katherine Chartrand is Director, External Communications since May 2016. From August 2015 until May 2016, she was Public Relations Director of Cogeco Connexion (a telecommunications company). Previously, she was Director, Internal and External Communications of TC Media from October 2010 until August 2015.
- Ms. Isabelle Côté is Corporate Controller of the Corporation since July 2013. Previously, she was Senior Director, Accounting and Financial Information at the Cirque du Soleil (an artistic entertainment company) since August 2005.

- Ms. Jacynthe Côté is a corporate director. From 2009 until June 2014, she was President and Chief Executive Officer of Rio Tinto Alcan (a metal and mining company) and thereafter served in an advisory role until she retired in September 2014.
- Mr. Pierre Fitzgibbon is a Managing Partner of Walter Capital Partners since November 23, 2015. From July 2007 until June 2014, he was President and Chief Executive Officer of Atrium Innovations Inc. (a company leader in the development, manufacturing and packaging of added-value products for the health and nutrition industry).
- Mr. Benoît Guillbault is Chief Information Officer since April 2013. From April 2010 until April 2013, he was Executive Vice President and Chief Information Officer for Acceo Solutions (IT solutions company) and, from March 2008 until February 2010, he was Chief Information Officer for Caisse de dépôt et placement du Québec (an institutional investor).
- Ms. Anna Martini is a corporate director. From 2004 until 2017, she was President of Groupe Dynamite Inc. (a specialized apparel global retailer).
- Mr. Mario Plourde is President and Chief Executive Officer of Cascades Inc. (a company which manufactures, converts and markets packaging and tissue products) since 2013. He was appointed as Chief Operating Officer of Cascades Inc. in 2011. Over the years, he occupied different positions, including Plant Manager and General Manager in the plastics sector, Vice President and Chief Operating Officer, and later President, of Cascades Specialty Products Group, in Canada and in the United States.
- Ms. Annie Thabet is a partner with Celtis Capital Inc. (a firm specialized in transactional services and asset management) since 2003.

As of October 31, 2016, directors and officers of the Corporation (other than Mr. Rémi Marcoux), as a group, beneficially owned, directly or indirectly, 67,140 Class A Subordinate Voting Shares and 2,000 Class B Shares of the Corporation, then representing approximately 0.11% and 0.01%, respectively, of the outstanding shares of each of such class.

To the best knowledge of the Corporation, no proposed director, as at January 9, 2017, or within 10 years before January 9, 2017: (a) is or has been subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of that company; (b) is or has been subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in such capacity; (c) is or has been a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (d) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his assets, with the exception of:

- (i) Mr. Fortin who was a director of Les Jardins Val-Mont Inc. until August 6, 2015, approximately seven months before such corporation filed a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). The proposition was lodged on July 8, 2016. Mr. Fortin is no longer a director of Les Jardins Val-Mont inc.;
- (ii) Mr. François R. Roy who was a director of Komunik Corporation until April 1, 2008, approximately eight months before such corporation voluntarily filed for protection under the *Companies' Creditors Arrangement Act* on November 18, 2008. Mr. Roy is no longer a director of Komunik Corporation;

- (iii) Mr. Roy who was a director of Pixman Nomadic Media Inc. until November 27, 2009, more than two months before such corporation filed a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada). Between November 3, 2009 and February 17, 2010, the Alberta Securities Commission, the British Columbia Securities Commission, the Ontario Securities Commission and the Autorité des marchés financiers issued cease trade orders in respect of Pixman Nomadic Media Inc. in connection with its failure to file certain financial statements and other continuous disclosure documents within the prescribed delays. Mr. Roy is no longer a director of Pixman Nomadic Media Inc.; and
- (iv) Mr. Tremblay who was President and Chief Executive Officer and a director of TerreStar Networks Canada Inc., when the latter and other affiliates filed on October 19, 2010 for an arrangement under *Chapter 11* of the United States *Bankruptcy Code*, followed on October 21, 2010 by an exemplary judgment by the Ontario Courts of the proceedings initiated in the United States. On March 29, 2012, TerreStar Networks Canada Inc. successfully emerged from this protection regime.

Furthermore, to the best knowledge of the Corporation, no proposed director of the Corporation has been as at January 9, 2017 subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

## Item 7 - Proceedings

In the normal course of business, we are involved in various legal proceedings. Legal proceedings resulting from our activities in printing, packaging or media could have adverse effects both with respect to costs and to our reputation. In order to manage this risk, we, in addition to having a civil liability insurance policy, often limit our potential responsibility with respect to damages under the contracts which we sign regarding our printing and packaging activities, and with respect to our media activities, we provide our journalists with information sessions and continuous training in addition to signing specific contracts with freelancers.

## Item 8 - Material Contracts

No material contract outside the ordinary course of business was entered into by the Corporation during the last two years.

## Item 9 - Transfer Agent and Registrar

The transfer agent and registrar of our shares is CST Trust Company, having a place of business at 2001 Robert-Bourassa Blvd., Suite 1600, Montréal, Québec, H3A 2A6. CST Trust Company also has offices in Toronto.

## Item 10 - Information Regarding the Audit Committee

### 10.1 Charter of the Corporation's Audit Committee

The charter of the Corporation's Audit Committee is included in Schedule A.

### 10.2 Composition of the Audit Committee

The Corporation's Audit Committee is composed of the three following persons:

Name of the Director	Independent	Financially Literate
Richard Fortin, acting as chair of the Audit Committee	x	x
Anna Martini	x	x
François R. Roy	x	x

### 10.3 Background and Related Experience

All members of the audit committee have been called upon to analyze numerous financial statements and to familiarize themselves with accounting principles.

#### *Mr. Richard Fortin*

Mr. Richard Fortin is a corporate director. Until September 2011, he was Chairman of the Board of Alimentation Couche-Tard Inc., a publicly traded corporation and, previously, he was Executive Vice President and Chief Financial Officer of Alimentation Couche-Tard Inc. since 1984. He has a Bachelor in Administration with a major in Finance from Laval University. Throughout his career, he has constantly remained on top of new accounting rules. He worked for more than 13 years in the banking industry, holding various management positions, namely as Vice President, Québec for the Société Générale (Canada).

#### *Ms. Anna Martini, FCPA, FCA*

Ms. Anna Martini is a corporate director. From 2004 until 2017, she was President of Groupe Dynamite Inc. Ms. Martini has a Bachelor in Commerce with a major in accounting from Concordia University. She is a fellow and a member of the Ordre des comptables professionnels agréés du Québec. From 1985 until 2004, she worked at Deloitte & Touche LLP, a professional accounting services firm, including as audit and advisory services partner since 1996. She was also the retail industry leader at said firm from 1996 to 2004.

#### *Mr. François R. Roy*

Mr. François R. Roy is a corporate director. From June 2007 until June 2010, he was Vice-Principal (Administration and Finance) of McGill University. Previously, from March 2000 until May 2003, he was Chief Financial Officer of Telemedia Corporation, a private portfolio company; from August 1998 until March 2000, he was Executive Vice President and Chief Financial Officer of Quebecor Inc.; and, from August 1997 until July 1998, he was Executive Vice President and Chief Financial Officer of Avenor Inc., a forest product company. Mr. François R. Roy also holds an MBA from the University of Toronto and is a member or chairman of audit committees for several public and private corporations.

### 10.4 Reliance on Certain Exemptions

We have not at any time during our last fiscal year relied on any exemption set out in Multilateral Instrument 52-110.

### 10.5 Policies and Procedure Regarding Prior Approval

The Audit Committee has adopted rules regarding the scope of the services provided by the external auditors. Our external auditors provide audit-related services to the Corporation and its subsidiaries, audit-related or connected services, consulting services regarding research and development credits as well as tax-related consulting services. We will not give our external auditors any mandates to provide certain non-audit and non-tax related services to the Corporation and its subsidiaries, such as bookkeeping or other services related to the accounting books or financial statements or regarding the design and implementation of financial disclosure systems, services related to evaluation, actuarial services, internal auditing services, investment banking services and legal services. With respect to all other non-audit related consulting services, management must obtain the prior approval of its Audit Committee.

### 10.6 Fees Relating to the Services of the External Auditors

The following table sets forth, by category, the fees incurred by the Corporation and payable to its external auditors KPMG LLP for the fiscal years ended 2016 and 2015.

Category of Fees (in thousands of dollars)	2016 (\$)	2015 (\$)
Auditing fees	697.5	709.5
Fees for audit-related or connected	146.7	170.1
Compliance with taxation requirements and consulting services thereto	467.1	149.1
<b>Total</b>	<b>1,311.3</b>	<b>1,028.7</b>

Auditing fees include total fees paid to the auditors for auditing the annual consolidated financial statements and other regulatory audits and filings as well as fees for performing the review of the interim consolidated financial statements.

Fees for audit-related or connected services included the total fees related to auditing services paid to the auditors, in particular for auditing the pension plans and for consulting services with respect to accounting and financial disclosure standards.

Tax related fees include the total fees related to tax services paid to the auditors, in particular for consulting services regarding our compliance with income tax laws, tax planning in the preparation of our tax returns as well as regarding capital taxes and sales taxes. The auditors also offer consulting services with respect to tax credits for scientific research and experimental development.

#### **Item 11 - Forward-Looking Statements**

Our public communications often contain oral or written forward-looking statements which are based on the expectations of management and inherently subject to a certain number of risks and uncertainties, known and unknown. By their very nature, forward-looking statements are derived from both general and specific assumptions. The Corporation cautions against undue reliance on such statements since actual results or events may differ materially from the expectations expressed or implied in them. These forward-looking statements include, among others, statements with respect to our medium-term objectives, our outlook, our strategies to achieve these objectives, as well as statements with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "assumptions", "strategy", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Such forward-looking statements may also include observations concerning the Corporation's anticipated financial results/and business outlooks and the economies in which it operates. The Corporation's future performance may also be affected by a number of factors, many of which are beyond the Corporation's will or control. The main risks, uncertainties and factors that could influence actual results are described in this Annual Information Form and in the Management's Discussion and Analysis for the fiscal year ended October 31, 2016 under sections "Caution Regarding Forward-Looking Statements" (p. 1), "Summary of Forward-Looking Statements" (p. 2) and "Risks and Uncertainties" (p. 16-23). We caution that the table appearing on page 2 of Management's Discussion and Analysis for the year ended October 31, 2016, regarding the Corporation's forward-looking statements is not exhaustive, and investors relying on it to make decisions with respect to Transcontinental Inc. should consider the related assumptions and risk factors.

Unless otherwise indicated by the Corporation, forward-looking statements do not take into account the potential impact of non-recurring or other unusual items, nor of disposals, business combinations, mergers or acquisitions which may be announced or concluded after the date of this Annual Information Form.

These forward-looking statements are made pursuant to the "safe harbor" provisions of applicable Canadian securities legislation.

The forward-looking statements in this Annual Information Form are based on current expectations and information available as at the date hereof. Such forward-looking statements may also be found in our other documents filed with Canadian securities regulators or in other communications. The Corporation's Management disclaims any intention or obligation to update or revise these statements unless otherwise required by the securities authorities.

## Item 12 - Additional Information

Additional information, including remuneration of directors and officers, loans to officers, stock options, share units and interest of insiders in material transactions is, where applicable, contained in our Management Proxy Circular for our Annual General Meeting of Shareholders. Additional financial information is provided in the consolidated audited financial statements of the Corporation for the year ended October 31, 2016. A copy of these documents may be obtained, free of charge from our Corporate Secretary at 1 Place Ville Marie, Suite 3240, Montréal, Québec H3B 0G1. These documents can also be obtained on SEDAR's website ([www.sedar.com](http://www.sedar.com)) or on our website ([www.tc.tc](http://www.tc.tc)).

In addition, when securities of the Corporation are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed, the following documents may be obtained free of charge from our Corporate Secretary:

- (i) A copy of this Annual Information Form, together with a copy of any document or portion thereof incorporated by reference therein;
- (ii) A copy of the comparative financial statements of the Corporation for its most recently completed financial year together with the report of the auditors thereon and a copy of any interim financial statements of the Corporation subsequent to financial statements for its most recently completed financial year;
- (iii) A copy of the Corporation's Management Proxy Circular for its most recent Annual Meeting of Shareholders; and
- (iv) A copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, a copy of the documents referred to in subparagraphs (i), (ii) and (iii) above will be provided free of charge from our Corporate Secretary.

A copy of this Annual Information Form can be obtained, free of charge, from our Corporate Secretary at 1 Place Ville Marie, Suite 3240, Montréal, Québec H3B 0G1, on SEDAR's website ([www.sedar.com](http://www.sedar.com)) or on the Corporation's website ([www.tc.tc](http://www.tc.tc)).

## Schedule A Mandate of the Audit Committee

The mandate of the Audit Committee (the "Committee") consists of assisting the Board of Directors (the "Board") in its supervision of : (1) the integrity of the Corporation's interim financial reports and annual financial statements and related information; (2) the internal auditor and external auditor's qualifications and independence; (3) the performance of the Corporation's internal audit function and external auditor; (4) the effectiveness of internal controls; (5) the Corporation's compliance with legal and regulatory requirements; and (6) the identification of the material risks that may affect the Corporation and the implementation of appropriate measures to manage such risks.

### 1. Composition

The Board shall appoint a minimum of three of its members to the Committee, one of whom shall serve as Committee Chair and all of whom shall be financially literate. The Committee is composed exclusively of independent directors who have no direct or indirect material relationship with the Corporation, its subsidiaries or affiliates of the Corporation. A material relationship is defined as any relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a Committee member's independent judgement.

The members of the Committee shall be appointed or changed by resolution of the Board to hold office from the time of their appointment until the next annual meeting of shareholders or until their successors are so appointed. The Board may remove or replace a member of the Committee at any time. A member shall cease to be a member of the Committee upon ceasing to be a director.

The Committee shall fix its own procedure at meetings and for the calling of meetings. Unless waived by the members of the Committee, the Committee shall meet "in camera" at each Committee meeting at which member of management are not in attendance, to allow its members to discuss openly and candidly.

Unless otherwise decided from time to time by the Board, two members of the Committee shall constitute quorum for the transaction of business at a meeting. For any meeting(s) at which the Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided by a majority of the members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Committee. The Corporate Secretary or Assistant Corporate Secretary shall be the secretary of the Committee.

### 2. Duties and Responsibilities

The duties and responsibilities of the Committee are established by the Board and include the functions customarily performed by audit committees, such as the following:

- (i) Helping members of the Board meet their responsibilities, in particular their responsibility for overseeing the financial information production and reporting process;
- (ii) Providing sound communication between directors and the external auditor;
- (iii) Ensuring itself of the independence of the external auditor;
- (iv) Satisfying itself of the credibility and objectivity of financial reports;
- (v) Favours the implication of directors and facilitating in-depth discussions among directors, management and the external auditor;
- (vi) Assuming the responsibility, on behalf of the shareholders, for the relationship between the Corporation and the external auditor;
- (vii) Examining and approving the mandate of the external auditor as well as the nature and scope of the audit to be conducted by the external auditor and receiving its official written statement attesting to its independence;
- (viii) Recommending to the Board the nomination of the external auditor and approving its compensation;



- (ix) Examining and approving the mandate, the organization and the independence of the internal auditor of the Corporation, including the scope of its responsibilities, its objectives and its work programs as well as its staff;
- (x) Overseeing the work of the external auditor engaged for the purpose of preparing or issuing the audit report or performing other audit, exam or attest services for the Corporation, including the resolution of disagreement between management and the external auditor regarding financial information;
- (xi) Discussing with the external auditor any restrictions imposed on the scope of its work and any problems arising in connection with its audit of the Corporation and its subsidiaries;
- (xii) Informing the Board of any conflict between the external auditor and management of the Corporation which the Committee has not settled within a reasonable timeframe;
- (xiii) Pre-approving a budget for all non-auditing services that the external auditor of the Corporation must carry out for the Corporation or its subsidiaries in order to allow the Committee to consider the effect of the services on the independence of the external auditor and examining and authorizing all fees paid to the external auditor for any service. This responsibility of the Audit Committee cannot be delegated to management of the Corporation in any way whatsoever;
- (xiv) Reviewing and recommending to the Board for approval, before their release, the interim financial reports and annual financial statements of the Corporation, including the notes thereto, the management's discussion and analysis relating thereto and the press releases regarding the interim and annual results;
- (xv) Reviewing the accounting policies followed by the Corporation, including any material changes made thereto during a fiscal year and ensuring that they are adequate under the circumstances and in compliance with applicable laws and regulations;
- (xvi) Reviewing, in conjunction with management and the external auditor, any new financial or regulatory requirements that could affect the presentation of the Corporation's financial information;
- (xvii) Assessing the efficiency and integrity of the Corporation's internal controls and management information systems taking into account comments from the external auditor, the internal auditor of the Corporation and the Chief Financial Officer of the Corporation;
- (xviii) Reviewing the recommendations that the internal auditor and the external auditor bring to the attention of management of the Corporation and which they consider material with a view to improving accounting practices, internal controls and management information systems;
- (xix) Ensuring that an adequate corporate disclosure policy is in place for the review of the Corporation's public disclosure of financial information extracted or derived from the interim financial reports or annual financial statements;
- (xx) Ensuring that procedures established for the receipt, retention and the treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and regarding the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (xxi) Reviewing and approving the Corporation's hiring policies regarding current and former partners and employees of the present and former external auditor of the Corporation;
- (xxii) Ensuring that a process allowing management to identify the major risks the Corporation is facing is implemented and taking all necessary measures or ensuring that such measures are taken to manage such risks; in this regard, making inquiries with respect to the insurance portfolio, the currency position, any pending and threatened litigation as well as any contingent liabilities of the Corporation and its subsidiaries; reviewing the level of provisions with respect to the Corporation's accounts and evaluating their adequacy; and

- (xxiii) Meeting privately on a regular basis with the internal auditor and the external auditor, without management being present, to discuss management of the Corporation's financial affairs and internal controls.

To allow it to fulfill its obligations mentioned above, the Committee shall have unlimited access, at any time, directly or through duly appointed representatives, to the pertinent books and accounting systems of the Corporation, to its external auditor, to its internal auditor, to its accounting staff and members of management as well as to any independent legal counsel or other counsel deemed appropriate by the Committee, the whole at the cost of the Corporation; the Committee shall have the authority to establish remuneration of such consultants. The external auditor as well as the internal auditor of the Corporation and members of management shall also have unlimited access to the Committee.

The Committee reports to the Board after every Committee meeting.