



CAE INC.
MEMBERSHIP AND RESPONSIBILITIES OF THE
GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS

ROLE AND MEMBERSHIP

The Governance Committee ("the Committee") shall be an advisory committee to the Board of Directors.

The Committee shall consist of not less than four (4) such directors, one of whom shall be the Chairman of the Committee. All members of the Committee shall be independent directors, as determined by the Board taking into consideration applicable laws, regulations and other requirements applicable to such determination.

The Chairman of the Committee and its members shall be elected annually by the Board of Directors following the recommendation of the Chairman of the Board.

A majority of members of the Committee shall constitute a quorum.

RESPONSIBILITIES

The Committee shall work closely and cooperatively with such officers and employees of CAE, its auditors, legal counsel and/or other appropriate advisors and with access to such information as the Committee considers to be necessary or advisable in order to perform its duties and responsibilities, as assigned by the Board of Directors, in the following areas:

1. Review specific matters of corporate governance as they may pertain to the Board, including the effectiveness of the system of corporate governance at CAE with respect to the discharge of CAE's obligations to its shareholders, customers and employees, other stakeholders and the public and to make recommendations to the Board regarding same.
2. Review with the Chairman of the Board, on a regular basis but not less than annually, the role and conduct of the Board, the effectiveness of the Board as a whole and its committees and the methods and processes by which the Board fulfills its duties and responsibilities, including without limitation: the number and content of meetings; an annual schedule of issues to be presented to the Board at its meetings or those of its committees; material which is to be provided to directors generally and with respect to meetings of the Board or its committees; resources available to directors; and the communication process between the Board and management.
3. To monitor conflicts of interest, real or perceived, of both the Board of Directors and the Company Management and to ensure that the company's Code of Business Conduct is implemented throughout the Company.



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4. Review the composition and needs of the Board, determine the skills and experience requirements of directors, develop an appropriate succession plan and identify and recommend to the Board suitable candidates to be directors of the Company, consistent with criteria approved by the Board.
5. Review and recommend the structure and amount of directors' compensation, including fees for attendance at directors and committee meetings.
6. Review annually the performance of board members and recommend to the Board the names of the persons to be nominated for election as directors by the Shareholders at the Annual General Meeting.
7. Together with the Chairman of the Board, to recommend to the Board individuals to act as chairman and as members of the Board Committees.
8. Review and approve CAE's donation policy.
9. The Committee shall review and assess the adequacy of its mandate annually, report to the Board of Directors thereon and recommend any proposed changes to the Board of Directors for approval. The Committee shall also perform an annual evaluation of the performance of the Committee. The Chairman shall report to the Board of Directors at least annually in respect of the performance evaluations of each Board Committee.
10. Review at least annually the Company's Corporate Governance guidelines and to review and approve the Company's corporate governance statements included as part of the Company's Annual Proxy Information Circular and/or any other public disclosure document.
11. Review the independence of each member of the Board, and of the members of the Audit Committee, taking into consideration applicable laws, regulations and other requirements applicable to such determination, and make a recommendation to the board in respect of the qualification as independent of each such director and member.
12. Bring to the attention of the Board or any of the other Board committees matters which are of such importance as should be considered by the Board or which fall within the terms of reference of such committee.



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MEETINGS

The Chairman or any member of the Committee may call a meeting of the Committee.

Any Director may request the Chairman to call a meeting of the Committee and may attend at such meeting to inform the Committee of a specific matter of concern to such director, and may participate in such meeting to the extent permitted by the Chairman of the Committee.

The Chairman of the Committee shall report to the Board of Directors from time to time as considered appropriate but not less frequently than annually.

May 11, 2004