



CAE INC.
MEMBERSHIP AND RESPONSIBILITIES OF THE
HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS

ROLE AND MEMBERSHIP

The Human Resources Committee (the "Committee") shall, except with respect to its functions pertaining to any long term incentive plan of CAE Inc. (the "Company") and except as provided herein, 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 recommendation of the Chairman of the Board and the Governance Committee. If the designated Chairman of the Committee is unable to attend a Committee meeting, the other Committee members present may elect a replacement Chairman for that meeting.

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

RESPONSIBILITIES

The Committee shall fulfill the responsibilities assigned by the Board of Directors by working closely and cooperatively with such officers and employees of the Company as the Committee considers to be necessary to cover all compensation matters and financial rewards, including salary plans, incentive compensation programs, pensions and other benefit programs of CAE and its material subsidiaries generally described as follows:

1. Review and approve the design and administration of Executive compensation and benefit programs, balancing the interests of shareholders with the Company's ability to attract, retain and appropriately reward its executives in the parent Company and its subsidiaries. This includes the administration of any long term incentive plan of the Company for employees of the Company and its subsidiaries and the Committee shall have full power to construe and interpret such plans; establish and amend rules and regulations for their administration; set performance metrics for incentive plans;



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and perform all other acts relating to such plans that it believes reasonable and proper. For greater certainty, an Executive includes all the Officers, Group Presidents, Executive Vice-President and other Vice-Presidents of CAE Inc. and all Presidents/Managing Directors of material subsidiaries of the Company.

2. Review and approve the engagement of consultants to independently advise the Committee on compensation and benefit programs.
3. Report to the Board of Directors concerning the Committee's actions and decisions, including changes in compensation and benefit plans that would materially affect the Company's financial performance, operating risks or long-term obligations.
4. Review annually and report to the Board concerning the Company's senior management succession and retention plan, except as it relates to the President and Chief Executive Officer.

SPECIFIC REVIEWS AND APPROVALS

Executive Salaries

5. Review and approve on behalf of the Board management's recommendations, except as relates to the President and Chief Executive Officer, for annual compensation for current Executives.

Executive Short and Long-Term Incentives

6. (i) Review and approve all changes to the Company's long-term incentive plans;
(ii) Review and approve all awards under the Company's short and long-term incentive plans; and
(iii) Review and approve any Executive change of control contracts, special benefit awards and any other Executive financial arrangements or changes thereto.

President and Chief Executive Officer Compensation

7. (i) Recommend for approval by the Board the process and criteria by which the annual and long-term performance of the President and Chief Executive Officer may be assessed, including the corporate goals and objectives relevant to CEO compensation; and



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- (ii) Provide an annual evaluation of the performance of the President and Chief Executive Officer for the Board's consideration, and review and make a recommendation to the Board for the approval of the salary, short-term and long-term incentive award for the President and Chief Executive Officer.

Pension Plans

- 8. (i) Review and approve all changes or amendments to the Supplementary Pension, Designated Executive Pension Plan, Employee Pension Plan, U.S. 401(K) Retirement Savings Plans and any other material pension arrangement affecting the Company and/or its subsidiaries (a "Pension Plan");
- (ii) Review and approve the investment strategy and the selection of pension fund investment managers for the Pension Plans;
- (iii) Review the annual audited financial statements and actuarial valuation reports, if any, for the Pension Plans; and
- (iv) Review the investment performance of the Pension Plans.

Other

- 9. Produce (with support from management or as otherwise required) and recommend for approval by the Board of Directors the Report on Executive Compensation included as part of the Company's Annual Proxy Information Circular and/or any other public disclosure document.
- 10. The Committee will review annually with the Company's senior management and/or the Vice President Human Resources the Company's:
 - (i) employee and management development programs;
 - (ii) Environment, Health and Safety programs and the results thereof;
 - (iii) labour relations status;
 - (iv) compliance with the Code of Business Conduct, the handling of issues raised thereunder and the annual attestation of compliance;
 - (v) the level of stock ownership by Executives of the Company;



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- (vi) financial targets for the next fiscal year as applicable to any compensation plans;
- (vii) the President and Chief Executive Officer's annual objectives; and
- (viii) the benefit plans.

11. 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 and shall report to the Chairman of the Governance Committee of the CAE Board of Directors thereon.

MEETINGS

The Committee shall meet at such times as deemed necessary by the Committee Chairman, the Chairman of the Board, the Chief Executive Officer or any two members of the Committee. The Committee will meet no less than two times annually following a series of pre-planned agendas developed with management to fit into the Company's normal operating patterns for review and adjustments of plans, policies and compensation awards. These meetings will normally be scheduled in conjunction with the regular meeting dates of the Board of Directors.

August 12, 2009