



**CAE INC.**  
(“CAE” or the “Company”)

**BOARD OF DIRECTORS’ MANDATE**

**RESPONSIBILITIES**

CAE’s President and Chief Executive Officer and the Company’s other executive officers are responsible for the management of the Company. The Board of Directors (the “**Board**”) is responsible for the stewardship of the Company and for monitoring the actions of, and providing overall guidance and direction to management. The Board shall act in the best interest of the Company.

**COMMITTEES**

The Board may establish committees, as it deems necessary or desirable, to assist it in the fulfillment of its duties and responsibilities, with such terms of reference as the Board may determine, and may delegate from time to time to such committees or other persons any of the Board’s responsibilities that may be lawfully delegated. As such, the Board currently maintains an Audit Committee, a Human Resources Committee and a Governance Committee. Each committee is comprised entirely of independent directors, as determined by the Board in light of securities laws and applicable exchange rules, and each member of a committee is appointed by the Board after thorough review of the requirements for membership on each such committee. The independent directors will periodically, as they see fit, hold meetings without management.

**STRATEGY**

The Board will maintain a strategic planning process and annually approve a strategic plan that considers, among other things, the opportunities and principal risks of the Company’s business. The Board also supervises management in the implementation of appropriate risk management systems. Separately from the strategic plan, the Board also approves an annual budget for financial performance.

**CORPORATE GOVERNANCE**

Corporate governance issues are the responsibility of the full Board. This includes the disclosure thereof, including in the Company’s Annual Activity and Corporate Social Responsibility report and Management Proxy Circular.

The Board periodically reviews a Disclosure Policy for the Company that, *inter alia*, addresses how the Company shall interact with shareholders, analysts and other stakeholders and covers the accurate and timely communication of all important information. The Company communicates

with its stakeholders through a number of channels including its website, and they in turn can provide feedback to the Company in a number of ways, including e-mail.

The Board, through its Governance Committee, regularly reviews reports on compliance with the Company's Code of Business Conduct and ethical practices. It periodically reviews Company policies with respect to decisions and other matters requiring Board approval.

## **AUDIT, FINANCE AND RISK MANAGEMENT**

The Board, directly and through the Audit Committee, oversees:

- (i) the integrity and quality of the Company's financial reporting and the effectiveness of internal controls;
- (ii) the risk management framework, including the identification of the principal risks of the Company's business, and ensures that there are systems in place to effectively monitor, manage and mitigate these risks;
- (iii) the Company's compliance with legal and regulatory requirements;
- (iv) the qualifications and independence of the Company's external auditors;
- (v) the performance of the Company's internal accounting function and external auditors; and
- (vi) the adequacy of the Company's material public documents prior to their release.

## **SUCCESSION PLANNING**

The Board, with the help of the Human Resources Committee, ensures a succession plan is in place for the President and Chief Executive Officer and for other senior employees of the Company and monitors such plan.

## **OVERSIGHT AND COMPENSATION OF MANAGEMENT**

The Board considers recommendations of the Human Resources Committee with respect to:

- (i) the appointment and compensation of senior officers of the Company at the level of Senior Vice President and above;
- (ii) the implementation of processes for the recruitment, training, development and retention of senior employees who exhibit the highest standards of integrity and competence and any recommendation for improvement of the processes in place to develop high potential individuals, such as the Annual Leadership Development Process;
- (iii) the compensation philosophy for the Company generally;

- (iv) the adoption of any incentive compensation and equity-based plans, including stock option, stock purchase, deferred share unit, restricted share unit or other similar plans, in which employees are or may be eligible to participate; and
- (v) the Company's retirement policies and special cases.

The Board communicates to the President and Chief Executive Officer and periodically reviews the Board's expectations regarding management's performance and conduct of the affairs of the Company. The Board also periodically reviews the President and Chief Executive Officer's position description and objectives and his performance against these objectives. Each year, after a performance evaluation, the Board approves, with the recommendation of the Human Resources Committee, the President and Chief Executive Officer's compensation.

### **HEALTH, SAFETY, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY MATTERS**

The Board, through the Human Resources Committee, ensures, through reasonable measures, that the Company has appropriate health, safety and environment policies and procedures and reviews any material issues relating to such matters and management's response thereto.

The Board, through the Audit and Governance committees, reviews trends in corporate disclosure of non-financial performance and reviews the Company's corporate social responsibility strategy and reporting.

### **DIRECTORS' QUALIFICATIONS, COMPENSATION, EDUCATION AND ORIENTATION**

The Board, through the Governance Committee, develops a process to determine, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities are required for new directors in order to add value to the Company while ensuring that the Board is constituted of a majority of individuals who are independent. With regards to Board composition, the Board ensures adherence to the term limits imposed on all directors and considers criteria that promote diversity, including but not limited to gender, international background, nationality, age and industry knowledge, in light of the Company's Policy Regarding Board and Executive Officer Diversity.

The Board, through the Governance Committee, develops a program for the orientation and education of new directors, and ensures that prospective candidates for Board membership understand the role of the Board and its committees, the nature and operation of the Company's business, and the contributions that individual directors are expected to make, and develops a program of continuing education if needed for directors.

The Board considers recommendations of the Governance Committee with respect to the level and forms of compensation for directors, which compensation shall reflect the responsibilities and risks involved in being a director of the Company.

## **ASSESSMENT OF BOARD AND COMMITTEE EFFECTIVENESS**

The Board considers recommendations of the Governance Committee for the development and monitoring of processes for assessing the effectiveness of the Board, the committees of the Board, the committees' chairs, the Chair of the Board and the contribution of individual directors, which assessments shall be made annually. These results are assessed by the Chair of the Board and/or the Chair of the Governance Committee and are reported to the full Board, which decides on actions deemed necessary, if any. The Board ensures that the number of directors and the composition of the Board permit the Board to operate in a prudent and efficient manner.

## **RETIREMENT PLANS**

The Board is responsible for overseeing the management of the Company's retirement plans and does this through its Human Resources Committee.

## **OUTSIDE ADVISORS**

Directors may hire outside advisors at the Company's expense, subject to the approval of the Chair of the Board and have access to the advice and services of the Company's Corporate Secretary, who is also the General Counsel and Chief Compliance Officer.

*November 11, 2021*