

**Summary of significant ways corporate governance practices followed by CAE Inc. differ from corporate governance practices required to be followed by U.S. domestic companies under the New York Stock Exchange's Listed Company Manual**

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As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange (**TSX**), CAE has in place a system of corporate governance practices that complies with applicable Canadian requirements, including those of National Policy 58-201 Corporate Governance Guidelines, National Instrument 58-101 Disclosure of Corporate Governance Practices (**NI 58-101**), National Instrument 52-110 Audit Committees and the TSX Company Manual (**TSX Rules**). CAE's corporate governance practices meet or exceed all applicable Canadian requirements.

In the context of its listing on the New York Stock Exchange (**NYSE**), CAE is classified as a foreign private issuer. Many of the governance rules in the NYSE Listed Company Manual (the **NYSE Rules**) are therefore inapplicable to CAE. However, CAE benchmarks its policies and procedures against governance standards internationally, with a view to adopting best practices when appropriate to its circumstances.

Although CAE is not required to comply with most of the NYSE Rules regarding corporate governance, we nevertheless comply with most such rules and CAE's practices differ significantly from those required to be followed by U.S. domestic issuers under such NYSE Rules only in a few respects.

The NYSE Rules require shareholder approval of all equity compensation plans and any material revisions to such plans, regardless of whether the securities to be delivered under such plans are newly issued or purchased on the open market, subject to a few limited exceptions. The TSX Rules, on the other hand, do not require shareholder approval in all those circumstances. Only the establishment or material amendments to equity compensation plans which provide for new issuance of securities are subject to shareholder approval. Therefore, CAE does not seek shareholder approval for equity compensation plans and amendments unless they involve newly issued securities or constitute specified amendments under the TSX Rules. Further, the Canadian director independence standards set out in NI 58-101 require the board of directors to consider all direct and indirect relationships between CAE and a director, but do not presume that a director is not independent when the director is an employee or executive officer (or has an immediate family member who is an executive officer) of a company that has business relationships with CAE in excess of certain monetary thresholds.

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