

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

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". While many of the governance rules in the NYSE Listed Company Manual (the **NYSE Rules**) are inapplicable to CAE, 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. Foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those followed by US companies under the NYSE Rules. 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.
- The TSX Rules require shareholder approval of these arrangements when they are first introduced, and thereafter (a) every three years in respect of all unallocated options, rights or other entitlements under an arrangement with a rolling percentage maximum, or (b) at the time and in respect of any material amendments to such equity compensation plans. CAE follows the TSX Rules with respect to the requirements for shareholder approval of equity compensation plans and material revisions to such plans.
- 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.
- The NYSE Rules and US securities laws require the audit committee of a US company to be directly responsible for the appointment of any registered accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit review or attest services. There is an exception for foreign private issuers that are required under a home country law to have auditors selected pursuant to home country standards. Pursuant to the *Canada Business Corporations Act*, our auditors are to be appointed by the shareholders at the annual general meeting of CAE. Our Audit Committee is responsible for evaluating the auditors and advising the Board of its recommendation regarding the appointment of auditors.

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