



# Annual Activity and Corporate Social Responsibility Report

Fiscal year 2018

Your worldwide  
training partner  
of choice





## About this report

### Our approach and scope

This Annual Activity and Corporate Social Responsibility Report consolidates information on our company strategy, corporate social responsibility (CSR) activities and fiscal year 2018 performance into one document. It includes all the information previously found in our CSR Report and the editorial pages of our Annual Report. All financial data for fiscal year 2018 is available in our [Financial Report](#).

Integrating our reporting in this way enables us to provide stakeholders with a single source of information in key areas. It also signals that CSR is inseparable from our core business strategy and activities. As you'll read in this report, our training solutions generate benefits across the three central elements of sustainability: economic, environmental and social.

This report covers our global operations and, unless otherwise stated, presents quantitative and qualitative information for fiscal year 2018 (ended March 31, 2018).

### Reporting standards

This report is aligned with the [Global Reporting Initiative \(GRI\) Sustainability Reporting Standards 2016](#). An independent institution, the GRI provides a standard framework for sustainability reporting across companies and industries. You'll find an index outlining our alignment with the GRI Standards core reporting requirements and references to other relevant information sources [here](#).

All figures in this report are in Canadian dollars unless otherwise stated.

### Feedback

We welcome your views on the topics covered in this report. Please send your comments, suggestions and questions to [media.relations@cae.com](mailto:media.relations@cae.com).

## How to use this report

### Interactivity

When opened in Adobe Reader, this PDF document incorporates several interactive features as indicated below.



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**Marc Parent**  
President and  
Chief Executive Officer

## Opening up new horizons in training

Thanks to our talented employees, we delivered a strong performance in fiscal 2018. Our year-over-year revenues grew by 5%, earnings per share by 8% and return on capital employed increased to 12.3%\*. We achieved two new annual records: a \$3.9 billion order intake and a \$7.8 billion backlog. The momentum of our strategic pivot from products to training services is stronger than ever. So are the fundamentals and secular tailwinds in our three core businesses.

### A noble purpose that thrives

Driving this success is CAE's noble purpose and employees' commitment to it. What we do generates true societal benefits. We help make air travel safer, defence forces mission ready and medical personnel better able to save lives. Our mission resonates with customers too; their confidence and trust in us translated into new and expanded contracts last year.

In Civil Aviation Training Solutions, we retained a 70% global market share in full-flight simulator sales and expanded our leading share of the industry's training market. Our simulators remain best in class and, following an extensive process improvement program, are more cost competitive than ever. We signed comprehensive long-term training agreements with AirAsia, Jazz Aviation, Air Transat and Virgin Atlantic Airways. We also won long-term training contracts with business aviation customers worldwide, including Elit'Avia and Flexjet.

With our longstanding partner AirAsia, we launched **CAE Rise™** (Real-time Insights and Standardized Evaluations), a game-changing, next-generation pilot training solution. CAE Rise™ puts real-time evidence-based insights in instructors' hands. It fast-tracks each pilot's development and boosts operators' ability to deliver standardized training. It also gives us one more way to help keep the world's skies safe.

Our Defence & Security teams signed \$1.4 billion in orders, a record high for the second consecutive year, and generated a \$3.9 billion backlog. The Royal Australian Air Force, the U.S. Navy and the U.K. Ministry of Defence extended their training contracts with us. Signing on to deliver comprehensive helicopter training systems for both the Brazilian Navy and the Qatar Emiri Air Force, and an end-to end training centre for remotely piloted aircraft for the UAE Air Force, reinforces our reputation as a leading training systems integrator.

In Healthcare, achieving strategic milestones and winning prestigious awards strengthened our position as a leader in innovative simulation-based healthcare education and training. **CAE Juno**, a purpose-built, mid-fidelity clinical skills manikin for nurses, the sector's largest market, rapidly gained traction. Other innovations launched in fiscal 2018 include CAE LucinaAR, the world's first childbirth simulator with augmented reality. New partnerships with professional medical associations and institutes increase our reach and ability to help improve patient outcomes worldwide.

\*Adjusted before U.S. tax reform impact and net gains on strategic transactions relating to our Asian joint ventures



## Driving our culture and CSR evolution

For the past three years, we have taken decisive and significant steps to evolve our culture. You can read more about these steps in our [culture change feature story](#). Suffice it to say that the shift underway in CAE's culture is tangible, far reaching and empowering for all.

Employee feedback is front and centre in these changes, from our new company values to engaging new workspaces, from our streamlined performance management system to short, frequent and fun employee engagement pulse surveys. We are becoming a more agile, open and people-centric company where the employee experience is just as important as that of the customer.

[Corporate social responsibility \(CSR\)](#) has also been evolving, step by step, along with our culture over the past three years. Last year, we invested in taking our CSR commitment to the next level. We refined our materiality matrix, revisited our CSR pillars, developed a new roadmap and objectives, and empowered our CSR Committee to pursue more challenging goals and objectives.

Our focus in CSR is now on improving our impact and performance in four areas: [Ethics and integrity](#), [People and safety](#), [Innovation and customer experience](#) and [Community and environment](#).

## Maintaining our leadership and growth

While we have significant headroom in large markets, competition from many corners continues to intensify. We are turning these challenges into growth opportunities as we bring the full weight of our competitive advantages to bear. These advantages include our reputation as a globally credible, innovation thought leader and the industry's only pure-play training company. Our independence from all original equipment manufacturers is also a key strength, as is having the highest quality, best-value, end-to-end training solutions.

Our strategic imperatives—'protect' and 'grow'—will continue to guide us in maintaining our leadership and growth momentum. Four strategic priorities will support these imperatives: delighting customers, driving innovation, bolstering talent and optimizing our capital.

At CAE, we are focused on elevating our customers' experience to ensure that all touchpoints serve to delight them. Our new digital strategy and roadmap support our ambition to be the go-to training partner of choice worldwide. Digital represents the latest horizon in our long history of innovation. We are seizing its tremendous potential to elevate the customer experience by making it easier to interact with us. It will also help reinforce our service mindset, differentiate our training and create new revenue streams.

Bolstering our talent means recruiting, developing and retaining not only the best but also very diverse talent. Building a more agile, progressive culture and implementing our new diversity and inclusion initiatives are pivotal to achieving our strategic priorities.

And finally, we will use our strong financial position to pursue growth opportunities. This includes deploying capital to generate growth by investing in more training centres, accelerating airline outsourcing and securing more long-term defence training contracts. We will also focus on achieving double-digit growth in Healthcare and on improving our overall capital efficiency.

As we continue to live [our values](#), all these actions are opening up new horizons in training for CAE. This, in turn, creates new opportunities to act on our noble purpose and make a world of difference for all our stakeholders.

# Overview



## Training partner of choice. Since 1947.

For seven decades, we've sustained our leadership by offering compelling solutions to customers operating in complex, mission-critical environments. Our success reflects our ability to evolve and rapidly adapt to changing needs and to deliver on our promises of quality, reliability and performance.

Our success is also a testament to our people. Their passion, innovation and focus have allowed us to become the best at what we do and to build a brand that's trusted around the world.

“In today's world, we increasingly determine a company's value by what it contributes to society. At CAE, our mission is ultimately about making the world safer. I think it's fair to say that our 'raison d'être' is an essential and noble one.”

**Marc Parent**  
President and CEO, CAE

## Roots in innovation

When Ken Patrick, a former Royal Canadian Air Force officer, founded CAE in 1947, his goal was to “...take advantage of a war-trained team that was extremely innovative and very technology intensive.”

By the mid-1950s, we were already creating our first flight simulators. One innovation led to another and, by 1982, we had developed a [flight simulator so realistic](#) that training on real aircraft was no longer necessary. The rest is history.

## It's all about safety, efficiency and readiness

Today we're the training partner of choice in end-to-end virtual-to-live solutions for a growing number of aircraft operators, defence forces and healthcare professionals and institutions. Our training network, the world's largest, spans more than 65 training centres and flight academies around the globe.

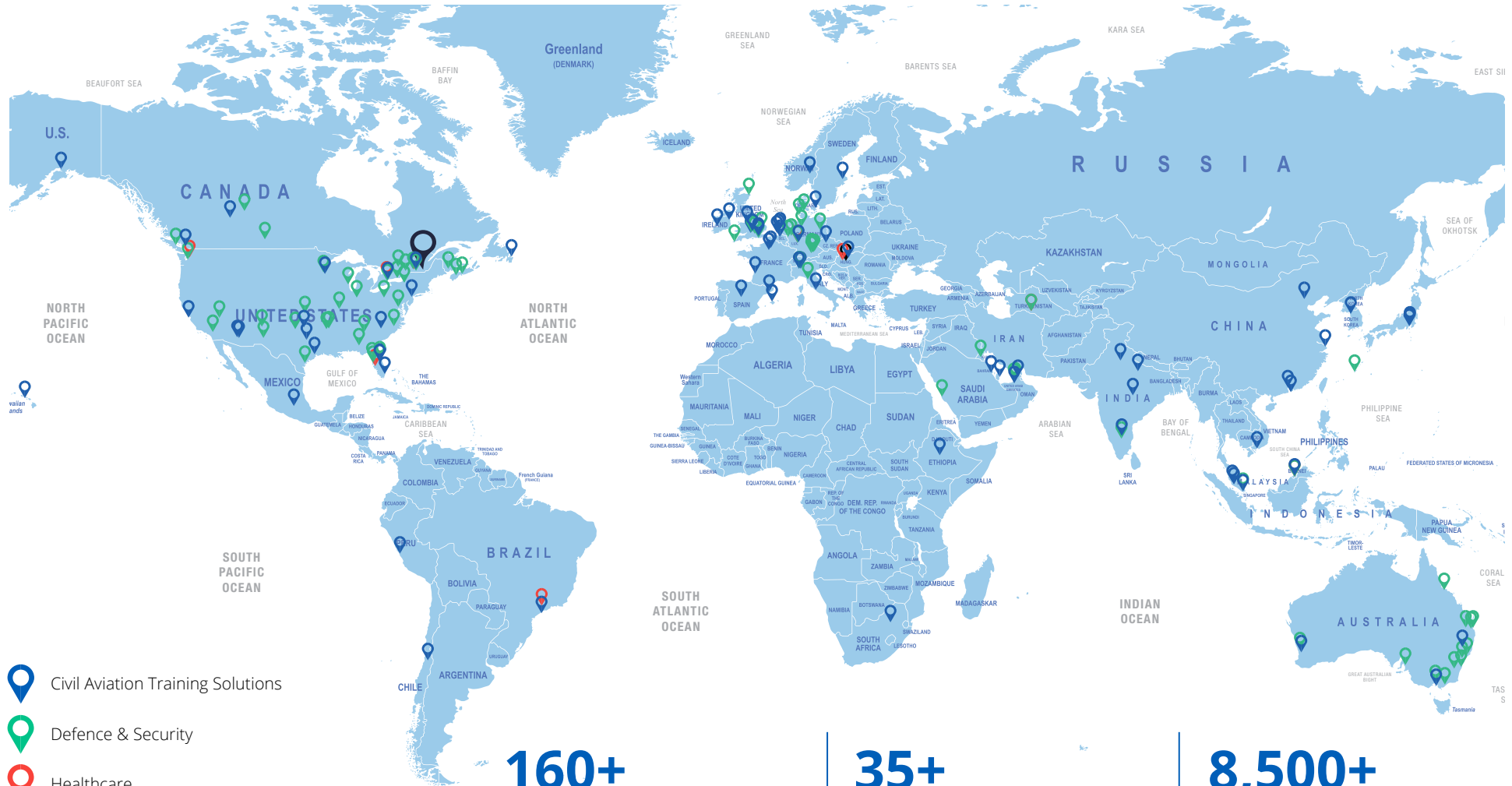
We train over 120,000 civil and defence pilots annually and work with more than 300 airlines and major business aircraft operators to increase the safety of air travel. As a leader in training systems integration, we deliver air, land, naval and public safety training to approximately 50 defence forces in over 35 countries. We help ensure these men and women return home safely by preparing them for a range of missions. We're also a leading provider of innovative healthcare training solutions that enable medical personnel to provide better care.





At CAE, our mission is to make air travel safer, allow defence forces to be mission ready, and help medical personnel save lives. We're confident that Mr. Patrick would be proud of what we've become.



## Worldwide presence

[View interactive map online](#) 



-  Civil Aviation Training Solutions
-  Defence & Security
-  Healthcare
-  Corporate

**160+**  
**locations**

**35+**  
**countries**

**8,500+**  
**employees**

## FY2018 financial and business highlights

**\$2.83  
billion**

**annual revenue**  
(up 5% year over year)

**\$7.85  
billion**

**record order backlog**  
(\$318.9 million higher than last year)

**\$1.11  
earnings**

**per share**  
(excluding impacts of the U.S. tax reform and net gains on strategic transactions related to our Asian joint ventures)

**12.3%**

**Return on capital employed**  
(excluding impacts of the U.S. tax reform and net gains on strategic transactions related to our Asian joint ventures)

**\$3,855  
million**

**total order intake**  
(up \$661.6 million over last year)

**76%**

**civil training centre annual  
utilization rate**

- 50 full-flight simulators sold
- Acquired the remaining 50% equity interest in our Asian Aviation Centre of Excellence (AACE) joint venture from AirAsia
- Announced the expansion of our North American training footprint in Minneapolis
- Inaugurated a new training facility at Gimpo Airport in Korea with Korea Airports Corporation
- Launched the CAE Master Pilot Training Program, a badge of honour dedicated to elevating the experience of business aviation pilots throughout their career
- Launched our newest pilot training innovation, the CAE Rise™ training system
- Signed long-term training contracts with Virgin Atlantic Airways, AirAsia, Air Transat, Flexjet and Elit'Avia
- Supported the Royal Australian Air Force's (RAAF) participation in the Diamond Thunder distributed mission training exercise
- Signed a contract with Leonardo Helicopters to provide the Qatar Emiri Air Force with a comprehensive NH90 helicopter training solution
- Obtained a contract from the U.S. Navy to provide the Brazilian Navy with a comprehensive S-70B Seahawk helicopter training system
- Renewed the U.K. Ministry of Defence contract to provide aircrew training services at CAE's Medium Support Helicopter Aircrew Training Facility (MSHATF)
- Formed a partnership with the American Heart Association (AHA) to deliver lifesaving courses in countries currently underserved
- Launched CAE Juno, a new clinical skills manikin for nursing programs
- Launched CAE LucinaAR, the world's first augmented reality childbirth simulator



# Strategy

## End-to-end training partner of choice

Our vision is to be the recognized global training partner of choice to enhance customer safety, efficiency and readiness.

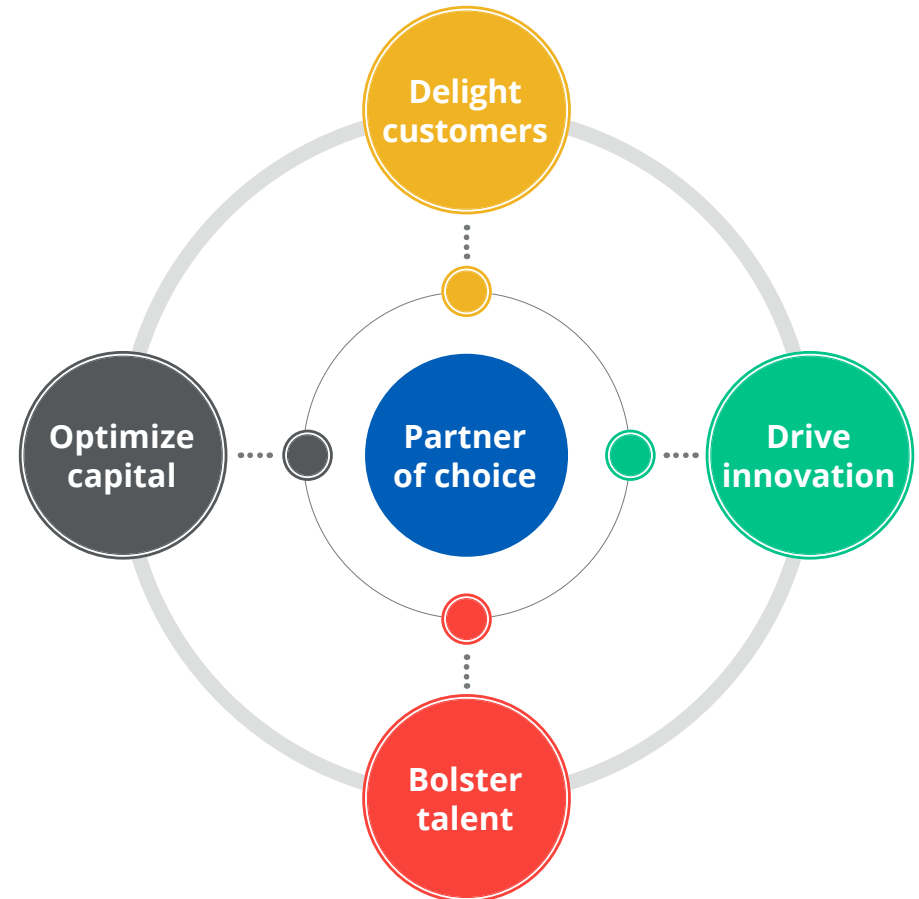
Achieving this vision depends on the successful implementation of four strategic imperatives, which will help protect our leadership position and grow our market share.

Our global leadership stems from our:

- Comprehensive training solutions
- Highly qualified and passionate employees
- Extensive experience and credibility delivering academic, simulator and live-flying training
- Industry-leading global training network
- Commitment to excellence and innovation spanning more than 70 years
- Close collaboration with regulators and policymakers to help shape the future of training
- Ability to reduce customers' environmental impact through simulation-based training

## Four areas of strategic priority

Four areas of strategic priority to protect CAE's leadership position, achieve superior growth, and ultimately realize our vision to be the recognized worldwide training partner of choice:



## Six pillars of strength

Our strategy and investment theses are based on six interrelated pillars of strengths. We benefit from a high degree of recurring business, a strong competitive moat and significant headroom in large markets that are being driven by secular tailwinds. These factors, combined with our culture of innovation, give us the potential to generate superior returns. As we look ahead, we're confident in the strength of our position and the supportive fundamentals of our end markets.



### High degree of recurring business

We operate in highly regulated industries with mandatory and recurring training requirements for maintaining professional certifications. Our long-term agreements with many airlines and business aircraft operators and defence forces are also an important source of our recurring business.



### Headroom in large markets

Significant untapped market opportunities exist in our three growing core businesses. While we lead in the simulation product market, we're also pursuing the training market which is several multiples larger than the product market.



### Potential for superior returns

At CAE, we believe we have the potential to grow faster than the underlying markets and that our large backlog and recurring revenue profile give us greater visibility into what lies ahead.



### Strong competitive moat

Our global training network, unique end-to-end cadet-to-captain training solutions, training systems integrator (TSI) expertise, unrivalled customer intimacy and strong, recognizable brand further strengthen our competitive moat.



### Underlying secular tailwinds

The civil aviation and defence sectors are enjoying strong tailwinds. Air passenger traffic and defence budgets are expected to continue to increase globally over the next 10 years.



### Culture of innovation

Innovation is part of our DNA and our people make it happen. In collaboration with our customers, we design and deliver the most advanced training solutions.



# Business highlights

# Civil Aviation Training Solutions



**#1**

in commercial  
aviation training

**50 +**

training centres and aviation  
academies

## Leading the industry

Our **Civil Aviation Training Solutions business** is recognized for its commitment to quality, reliability and **innovation**. It's how we've built the world's largest civil aviation training network. It's also how we've become the global training partner of choice for aviation professionals, airlines, business aircraft operators and aircraft manufacturers globally.

Over the decades, we've developed first-to-market simulators for more than 35 types of aircraft and simulated a total of over 150 aircraft platforms. Today we deliver end-to-end aviation training solutions that address the pilot's total lifecycle needs, from cadet to captain. And now, our game-changing training system **CAE Rise™** is set to significantly elevate every pilot's training experience.



## Year in review

Our Civil Aviation Training Solutions business performed well in fiscal 2018. It generated a 5% year-over-year increase in revenue and a 12% year-over-year increase in segment operating income. Operating margins improved as well. We sold 50 full-flight simulators (FFSs), our second-best year ever for FFS sales. Our backlog grew by 20.9% compared to fiscal 2017.

Among other highlights, we inaugurated new training centres in the U.S. and South Korea. We acquired AirAsia's shares in the Asian Aviation Centre of Excellence and signed an agreement to establish a joint-venture training facility in Singapore. We also expanded our cadet training programs in the U.S., India and Spain, and launched both CAE Rise™ and the CAE Master Pilot Training Program for business aviation pilots.

## FY2018 highlights

**5%**  
revenue  
growth

**12%**  
segment operating  
income growth<sup>1,2</sup>

**1.44x**  
book-to-sales ratio<sup>3</sup>

**\$2.3 billion**  
record order intake

**\$3.98  
billion**  
record backlog<sup>4</sup>

**76%**  
utilization rate<sup>5</sup>

1 Segment operating income (SOI) is a non-GAAP measure and our key indicator of each segment's financial performance. This measure gives us a good indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate it by taking the operating profit and excluding the impact of restructuring costs.

2 Adjusted before net gains on strategic transactions relating to AACE and ZFTC.

3 The book-to-sales ratio is a non-GAAP measure calculated as total orders divided by total revenue in a given period.

4 Backlog is a non-GAAP measure that represents the expected value of orders we have received but have not yet executed.

5 Utilization rate is a non-GAAP measure that assesses the performance of our Civil Aviation simulator training network.



### CAE Rise™

In February 2018, we launched our newest pilot training innovation, the **CAE Rise™** (Real-time Insights and Standardized Evaluations) training system. It represents our latest training breakthrough, addressing the growing demand in professional pilots globally. Backed by industry-leading technology, CAE Rise™ strengthens instructors' ability to deliver standardized training in accordance with airlines' specific Standard Operating Procedures (SOPs). It also enables instructors to objectively assess pilot competencies using live data during training sessions.

CAE Rise™ improves pilot training quality and efficiency by integrating untapped real-time, data-driven insights. These insights, in turn, allow customization of training programs to every airline and every pilot's unique needs. In spring 2018, CAE Rise™ went live with our launch customer and longstanding partner AirAsia.

[Watch the video](#) 

### AirAsia: A powerful partnership

For more than a decade, we've been AirAsia Group's global training partner of choice. AirAsia recently extended our exclusive contract to support all training for all aircraft types operated by it and its affiliates to 2036. AirAsia is the continent's largest low-cost carrier.

In fiscal 2018, we also acquired full ownership of the Asian Aviation Centre of Excellence (AACE) from AirAsia. AirAsia and the AACE played a key role in refining the training capabilities of our pioneering CAE Rise™ pilot training system. The AACE training centre, now CAE Kuala Lumpur, will continue to offer training for pilots, cabin crew, maintenance engineers, technicians and ground services personnel.

And congratulations to the first nine AirAsia-sponsored Multi-crew Pilot Licence (MPL) cadets trained by CAE to be promoted to captains. They earned this career-changing promotion by flying as first officers on the airline's Airbus A320s since 2011.

### Strengthening our U.S. presence

Our training centre in Minnesota, CAE Minneapolis, is now fully operational with six full-flight simulators. The centre reinforces our ability to meet the increasing pilot training needs of regional airline customers such as Endeavor Air, Compass Airlines and Sun Country Airlines.

At CAE Phoenix in Arizona, we deployed our latest CAE 7000XR Series full-flight simulator for the Bombardier CRJ900 regional jet. It offers unprecedented realism thanks to our CAE Tropos 6000XR visual system. The centre is also now equipped with a CAE-built Embraer ERJ-145 FFS to better support U.S. customers like Endeavor Air and Mesa Airlines.

### Expanding our footprint in Asia-Pacific

In fiscal 2018, we took several steps to strengthen our presence in Asia-Pacific, one of the industry's fastest-growing aviation markets. We signed a memorandum of understanding with Singapore Airlines to establish a joint-venture facility in Singapore. Expected to open in the first half of fiscal 2019, the joint venture will initially provide simulator training for Boeing aircraft types.

With Korea Airports Corporation, we inaugurated a new training centre at Gimpo International Airport in Seoul. It supports the growing pilot training needs of Korean carriers such as Jeju Air, Korean Airlines, Asiana Airlines, Eastar Jet and Air Seoul.

Through our collaboration with Jakarta Aviation Training Center (JATC), we deployed the first Indonesia-owned FFS to meet the increasing training needs of regional customers like AirAsia Indonesia. Our Airbus A320 FFS is now operational at JATC's training facilities near Jakarta Soekarno-Hatta International Airport.

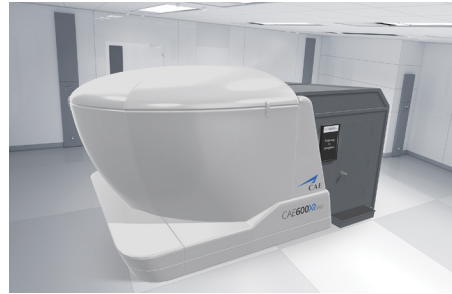
### Elevating business aviation pilots

Our [CAE Master Pilot Training Program](#) enhances business aviation pilots' platform knowledge, safety awareness and situational response capabilities. Launched in fiscal 2018, it prepares pilots for the broadest range of challenging situations, enabling them to progress more rapidly and confidently in their career. The CAE Master Pilot insignia showcases a pilot's commitment to excellence.



## Our first Airline Pilot Demand Outlook

Our first-ever [Airline Pilot Demand Outlook](#) was well-received by the global aviation industry. It provides key insights on commercial aviation's future need for professional pilots to sustain the industry's growth and to support retirements. The outlook identifies a global requirement for creating 255,000 new pilots and for developing 180,000 first officers into new airline captains over the next 10 years.



## CAE 600XR Series

We launched the CAE 600XR Series Flight Training Device (FTD), the latest addition to our innovative XR Series training equipment suite. The 600XR Series FTD provides the highest training fidelity in today's fixed-based training market and sets new standards for initial and recurrent pilot training.



## Creating new pilots

In Spain, we expanded our cadet training network with a new Madrid-based integrated Airline Transport Pilot's Licence (ATPL) program. The program will enable our Madrid training centre to better support European commercial airlines' increasing need for more professional pilots in the region. We also signed several new and expanded cadet training agreements, including with Jet Airways in India, Volotea in Spain and Envoy Air in the United States.



## Boosting our courseware

Acquiring a 45% interest in Canada-based Pelesys, a leading global provider of aviation training solutions and courseware, was a natural next step in our longstanding relationship. This new partnership will allow us to strengthen our courseware offering across our global network.

# Looking ahead

Demand for trained aviation professionals is driven by air traffic growth, pilot retirements and the increase in active aircraft fleets. As global economies and airline fleets continue to expand, so does the demand for qualified airline personnel.

At CAE, we're partnering with the airline industry to help professional pilots develop faster, learn to master critical situations and adapt effectively to their operators' culture and Standard Operating Procedures. The launch of [CAE Rise™](#) will further enable us to elevate the training experience for current and future pilots. We'll also continue working with aerospace regulatory bodies to make the world's safest mode of transportation even safer.



## Feature story

# Safety in the skies on the rise worldwide

At CAE, we believe that it's our responsibility to help keep the planet's skies safe. And now we have a game-changing technology that dramatically improves our ability to do just that. Launched in February 2018, **CAE Rise™** takes evidence-based training to a whole new level. It empowers operators and instructors to fast-track pilot development while safeguarding passenger safety.

Passenger safety hinges on pilot competency. Today simulation-based training plays a key role in developing skilled pilots. Yet many operators have been using the same paper evaluations to assess pilot flight simulator performance for over 30 years. With the CAE Rise™ training system, we're bringing these evaluations into the digital age.



**Captain Torbjörn Wischer**  
CAE's Global Leader of Civil Aviation  
Training Strategy

“We saw an opportunity to leverage our simulation and technological expertise to put a new source of actionable real-time data at instructors' fingertips. We also wanted to mitigate the subjectivity and variances between how different instructors grade pilots to strengthen the operators' ability to deliver standardized training. It was from these gaps that CAE Rise™ emerged.”

## Better than the naked eye

CAE Rise™ quickly pinpoints specific learning gaps for individual pilots. It uses simulator data to deliver real-time analytical insights into aspects of the pilot's performance that instructors simply can't see or aren't looking in the right place to see.

“In many scenarios, CAE Rise™ is better than the naked eye,” affirms John Billington, CAE's Director of Civil Aviation Training Solutions. “Let's say a pilot is executing a terrain avoidance manoeuvre where the instructor isn't able to determine visually how much back pressure the pilot is applying to the sidestick controller. The CAE Rise™ system is able to detect the exact degree of back pressure and relay this information to the instructor. This level of valuable feedback has eluded us until now.”

Using patented technology, CAE Rise™ detects and tracks manoeuvres from start to finish. The system then provides the instructor with real-time feedback based on evidence-based data, including a suggested score and its explanation. The instructor can also dig deeper and pull up graphical scorecards complete with key milestones. These statistical insights allow the instructor to identify and close pilot proficiency gaps with unprecedented ease. Instructors may even be able to use the system to reduce remedial training time.



## Increasing instructors' focus on soft skills

With CAE Rise™ measuring a pilot's technical skills with unparalleled precision, busy instructors are enabled to focus on other critical key competencies like leadership, communication and decision-making.

John continues: "CAE Rise™ could correctly assess a manoeuvre as technically excellent but, in the cockpit, the instructor might be seeing leadership or communication skills that need improving. And it's the instructor who decides the final grade, taking into account both the pilot's technical and soft skills scores. In this way, the system doesn't replace instructors; it makes them more effective and allows them to spend more time assessing crew resource management."

## Customized curricula

CAE Rise™ includes electronic tools for grading, recording-keeping and managing Standard Operating Procedures (SOPs). The latter feature allows operators to customize their training program by incorporating their own SOPs. This capability lets instructors deliver training that matches each operator's specific culture and reality.

"With CAE Rise™, instructors can prepare for a training session by reviewing the operator's SOPs prior to getting into the simulator

with the pilot," explains John. "The system even prompts the instructor when an operator has updated an SOP and provides the updated version."

## New global standard

By generating objective live data dashboards, CAE Rise™ has the potential to rapidly raise the bar on pilot training standardization and flight safety. Its powerful data analytics not only allows instructors to immediately see and address a pilot's true training needs, it gives us the capability to identify performance trends, both within an operator's business and across the entire sector. Now we can help operators evolve their training programs to meet the **most advanced aviation safety standards**.

"We intend to continue developing this technology to capture even more objective data on pilot performance," asserts Torbjörn. "Operators want evidence-based data they can leverage to make decisions and that's what CAE is committed to giving them. Our goal is to create the world's first anonymous pilot training database, providing operators with access to performance and training benchmarks from hundreds of thousands of simulations conducted around the globe."

John sums up: "We're just scratching the surface of what it can do. With CAE Rise™, the sky is both literally and metaphorically the limit!"



**Captain Andrew Lim**  
CAE's Regional Head of Training,  
Asia Pacific

“ Now operators and their instructors have a system that will allow them to reach the highest level of training for their pilots. It makes data-driven assessment grading a reality, which, in the not-too-distant future, could translate into a step change in the standardization of pilot training and assessment around the globe. ”

**Captain Andrew Lim**

## Defence & Security



### Helping improve mission readiness worldwide

Our **Defence & Security business** is a world leader in helping defence forces achieve and maintain the highest levels of mission readiness. As a globally recognized training systems integrator (TSI), we develop and deliver **integrated live-virtual-constructive (iLVC) training** solutions for our air, naval, land and public safety customers. We serve our global defence and security customers through regional operations in Canada, Europe/Africa, Asia-Pacific/Middle East and the United States/Latin America.

# 72

different training platforms

# 10,000 +

live flying training hours

# 7,000 +

simulator training hours in first year at CAE Dothan Training Center

## Year in review

Our TSI capabilities and robust bid pipeline drove historically high orders of \$1.4 billion in fiscal 2018 for our Defence & Security business. Year-over-year revenue increased by 5% and our book-to-sales ratio was 1.29x.

Among other highlights, defence forces in the United States, United Kingdom, Qatar and the United Arab Emirates (UAE) signed or extended aircrew training agreements with us in fiscal 2018. We continue to design and manufacture C-130J simulators for the U.S. Department of Defense. And the U.K. Ministry of Defence extended our contract to provide training at our Medium Support Helicopter Aircrew Training Facility (MSHATF).

We also secured our first contract with the Qatar Emiri Air Force to develop and deliver a comprehensive NH90 helicopter training program. The UAE Air Force contracted us to provide personnel with RQ-1E Predator remotely piloted aircraft training. This training is now underway. Last year, we also delivered the world's highest fidelity Predator simulator to the Italian Air Force (ITAF).

## FY2018 highlights

**5%**  
revenue  
growth

**6%**  
segment operating  
income growth <sup>1</sup>

**1.29x**  
book-to-sales  
ratio <sup>2</sup>

**\$3.87**  
billion  
backlog <sup>3</sup>

<sup>1</sup> Segment operating income (SOI) is a non-GAAP measure and our key indicator of each segment's financial performance. This measure gives us a good indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate it by taking the operating profit and excluding the impact of restructuring costs.

<sup>2</sup> The book-to-sales ratio is a non-GAAP measure calculated as total orders divided by total revenue in a given period.

<sup>3</sup> Backlog is a non-GAAP measure that represents the expected value of orders we have received but have not yet executed.



## Excelling at training systems integration

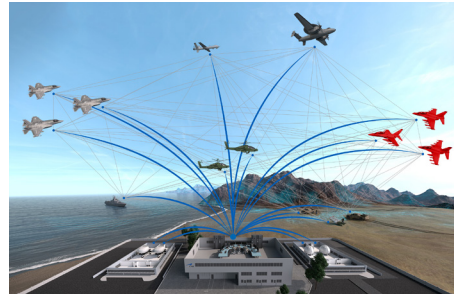
In fiscal 2018, we continued to strengthen our reputation as a training systems integrator (TSI) of choice for defence and security forces around the world. Customers are increasingly turning to us for our flexibility and wealth of experience operating and delivering training across a range of business models.



### Extended RAF helicopter training agreement

Established nearly 20 years ago, our Medium Support Helicopter Aircrew Training Facility (MSHATF), located at RAF Benson in Oxfordshire, became the very first military 'private finance initiative' (PFI) training program.

Due to the program's longstanding success, the U.K. Ministry of Defence extended this training partnership to at least 2025. Extending the program ensures that U.K. Joint Helicopter Command aircrews continue to receive agile and innovative synthetic training on the CH-47 Chinook, AW101 Merlin, and Puma helicopters.



### Partnering to deliver iLVC training

Given the complexity and expense of conducting live training missions, defence forces are increasingly relying on integrated live-virtual-constructive (iLVC) training solutions to cost-effectively maintain readiness and prepare for operational missions. In November 2017, we joined forces with Rockwell Collins to demonstrate our integrated iLVC-enabled capabilities at the Interservice/Industry Training, Simulation, and Education Conference (I/ITSEC), the world's largest military training and simulation event.

Together, we successfully conducted an integrated mission training exercise using fully networked and secure live, and constructive training elements. The exercise showcased our ability to work with diverse vendors to deliver integrated iLVC training environments that are interoperable and cybersecure.



### An integrated helicopter training solution in Qatar

Leonardo Helicopters and the Qatar Emiri Air Force (QEAF) chose us to design and deliver a turnkey NH90 helicopter training solution for the QEAF. As the training systems integrator, we'll provide a comprehensive training solution for the QEAF's new fleet of NH90 helicopters.

The comprehensive TSI program includes designing and building a new training facility in Qatar equipped with a suite of simulators and training devices. Training support services will include classroom and simulator instruction as well as developing a tactical control centre for managing networked mission training exercises.



### Additional C-130J simulators for U.S. Department of Defense

As Lockheed Martin's longstanding training partner on the C-130J Super Hercules platform, we've signed additional contracts over the past year to deliver a range of C-130J training systems. This includes full-mission simulators and fuselage trainers. We'll also provide the U.S. Air Force and Air Force Special Operations Command (AFSOC) with full-mission simulators for several C-130J variants, and the U.S. Marine Corps and AFSOC with C-130J fuselage trainers.



### Introducing the world's highest fidelity Predator simulator

In February 2018, the Italian Air Force (ITAF) put into service the world's highest-fidelity Predator Mission Trainer, a simulator we jointly developed with General Atomics Aeronautical Systems (GA-ASI).

Equivalent to Level D, the highest qualification for flight simulators, the Predator Mission Trainer simulator is capable of delivering zero flight time training for RPA pilots and sensor operators. It will allow the ITAF to conduct extensive training in the simulator, helping preserve its fleet of RPAs for actual operational missions.



### UAE remotely piloted aircraft aircrew training

We're developing and delivering a turnkey training program for the United Arab Emirates Air Force's RQ-1E Predator remotely piloted aircraft (RPA). We're also responsible for designing and delivering a comprehensive training centre where we'll provide classroom, simulator and live-flying training for UAE Air Force RQ-1E aircrews.

We've started delivering the academic classroom training for RQ-1E aircrews. We've also partnered with the Khalifa Bin Zayad Air College to create and provide the RPA Fundamentals Course for cadets. Over the next year, we'll deliver additional RPA training devices and high-fidelity RQ-1E simulators to further enhance the training program.



### Supporting the RAAF's virtual training

In June 2017, we helped the Royal Australian Air Force (RAAF) network its various simulation assets across the country for a distributed virtual training exercise. The exercise highlighted our advanced capabilities in creating integrated, interoperable and immersive environments for iLVC mission training.

During the exercise, the simulation devices flew simultaneously in the same virtual environment, as a joint and integrated force, to address air defence system, ground radar and surface-to-air missile threats.

## Looking ahead

With the global emphasis on national security and increasing defence budgets around the world, we see a strong bid pipeline and numerous growth opportunities. Defence forces are making substantial investments in new technologies, networked systems and interoperability, all of which create training requirements aligned with our TSI solutions and capabilities.

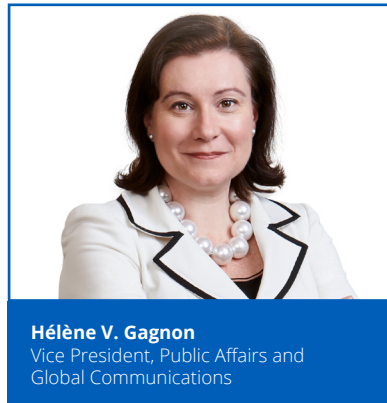
Our extensive research and development in areas such as integrated live-virtual-constructive (iLVC) training and cybersecure synthetic environments positions us well in this market. So does the growing acceptance by governments and defence forces of outsourcing training services.

At CAE, we're committed to providing our defence and security customers with comprehensive training solutions to optimize their efficiency and effectiveness, and most importantly, help them achieve mission readiness. And we anticipate significant opportunities ahead for forging long-term partnerships with our defence customers.

## Feature story

## CAE's 70<sup>th</sup> anniversary Celebrating One CAE!

Our 70<sup>th</sup> anniversary celebrations drove home a simple yet compelling truth at CAE: together, we're better! From March 17, 2017 to March 17, 2018, employees from around the world came together to actively and creatively celebrate our 70<sup>th</sup>. The global team spirit that emerged would be the envy of companies across the globe. Together, we experienced the power of our new values, in particular One CAE, and that people truly are the heart of our company.



**Hélène V. Gagnon**  
Vice President, Public Affairs and  
Global Communications

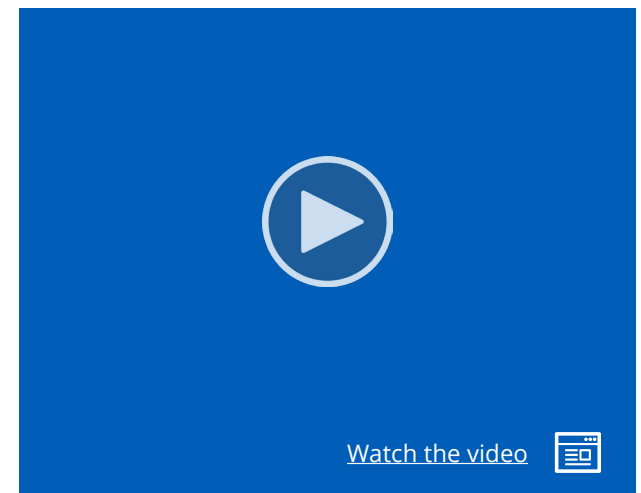
“Our challenge was to bring 8,500 employees in 160 sites from 35 countries together. We wanted the celebrations to increase employees' sense of pride and belonging. Judging by the creativity, diversity of celebrations and level of engagement at virtually every site, we succeeded in taking a giant step forward in making everyone feel part of something special!”

### Setting the right tone

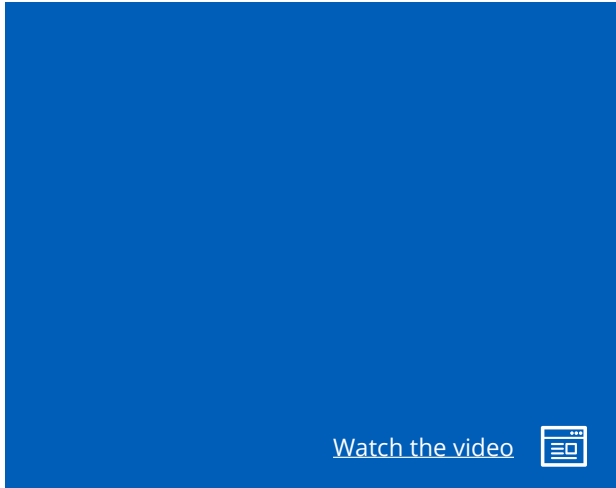
We kicked off the year-long celebration with a humorous video featuring none other than CEO Marc Parent. Marc surprised employees by dropping in on them to quiz them on CAE's history. The playful video candidly captures the action, 'bloopers' and all, sending a clear message that CAE is serious about having fun!

### Hats off to our global ambassador network

CAE's small but determined communications team quickly realized that numerous pairs of helping hands—160 of them to be exact—would be needed to bring the celebrations alive at every site. The team's call for local site ambassadors received a thunderously enthusiastic response. Our sites found their ambassador who, in turn, actively championed CAE's 70<sup>th</sup> locally for an entire year.







With a creative toolkit in hand, each ambassador generated a 'wow!' locally that went well beyond expectations. For its slice of genius, a U.K. team convinced the "Extreme Cake Makers" TV show to create a giant flight simulator cake in only three days. The vanilla sponge and buttercream cake featured an edible control panel, functioning LCD monitor and flashing light panel. Our Amsterdam team took a more musical approach, transforming the song "We are the world" into a CAE track entitled "We lead the world in simulation." Watch for it on the charts this year!

### Our story continues...

What better way to celebrate CAE's history than to ask employees to share a special moment in their history with us. More than 140 employees submitted touching and inspiring tales to the contest. Half of the 10 global winners travelled to Canada, the other half went to the U.K., to celebrate together. In the end, we turned all 140 stories into an e-book that showcases how employees continue to write our history. Because, together, our story is far from over. And based on **employees' enthusiastic feedback**, the fun is only getting started too!



The communication strategy around our 70<sup>th</sup> anniversary festivities earned the Global Communications team two awards from the Canadian Public Relations Society. The team, represented above by Pascale Alpha, Director, Global Communications, received the Gold award for the Best Special Events Project and the Bronze award for Canadian Internal Communications Campaign of the Year.





# Healthcare



## 13,500 +

simulators installed worldwide

Industry's broadest training  
products and services portfolio

## Enhancing patient safety

Just as passenger safety is the top priority in civil aviation, patient safety and outcomes matter most in healthcare. Medical errors are the third-leading cause of death in U.S. hospitals. Simulation-based training provides a low-risk alternative for practising lifesaving procedures, rapid response and interprofessional clinical teamwork and major disaster response.

Building on our aviation expertise, we launched our [Healthcare business](#) almost 10 years ago to enhance healthcare training and education as well as improve patient outcomes in clinical settings. Today we're a training partner of choice for the healthcare industry, scientific societies and associations worldwide, helping foster confidence, competency and teamwork. We offer the industry's broadest portfolio of healthcare simulation products and solutions along with world-class support.

## Year in review

In fiscal 2018, we launched two game-changing products: **CAE LucinaAR**, the first childbirth simulator with augmented reality for clinical team training, and **CAE Juno**, a newly designed clinical skills manikin for nursing programs. In partnership with the American Society of Anesthesiologists™ (ASA), we also unveiled **Anesthesia SimSTAT - Trauma**, the first in a series of interactive screen-based simulation modules for continuing medical education.

To further improve healthcare education and patient safety, we signed a simulation research partnership with the Northern Alberta Institute of Technology (NAIT). We also announced the creation of a network of International Training Sites in collaboration with the American Heart Association (AHA) to deliver lifesaving courses in countries that are currently underserved.

Building upon our breadth of technologies and simulation platforms, we expanded our custom training solutions for the medical device industry. We developed a Microsoft HoloLens augmented reality training solution for the Abiomed Impella™ heart pump system and a custom simulator for the Medtronic Micra™ transcatheter pacing system.



## FY2018 highlights

**\$115.2**  
**million**  
in revenue

**\$8.8**  
**million**  
segment operating  
income<sup>1</sup>

<sup>1</sup> Segment operating income (SOI) is a non-GAAP measure and our key indicator of each segment's financial performance. This measure gives us a good indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate it by taking the operating profit and excluding the impact of restructuring costs.



### CAE Juno: Our newest manikin

Our newest clinical skills manikin, **CAE Juno** meets the educational requirements for clinical nursing skills, from task training to advanced patient care scenarios. It provides nursing students and instructors with consistent learning, effective preparation and accelerated mastery of critical-thinking skills and clinical procedures.

### Limitless learning with augmented reality

We've integrated Microsoft HoloLens, the world's first fully self-contained wearable holographic computer, into our portfolio of healthcare simulation products. Our proprietary development framework for Microsoft HoloLens integrates 3D anatomy and modelled patient physiology into a mixed reality learning environment.

Using this framework, we've created dynamic training solutions that allow clinical learners and practitioners to explore, understand, investigate, perform surgical interventions, and visualize anatomy, physiology and pathologies. To date, [our HoloLens-enabled augmented reality solutions](#) include [CAE VimedixAR](#), CAE LucinaAR, Abiomed ImpellaAR and Medtronic MicraAR.

### Winning awards, advancing medical training



We also proudly accepted the 2017 [Unity Impact Award](#) for social impact in healthcare and education for our [CAE VimedixAR](#) solution. CAE VimedixAR is a groundbreaking simulation-based learning module for training in ultrasound and imaging visualization. It's also the first healthcare simulation application of HoloLens. VimedixAR enables clinical learners to develop proficiency in identifying anatomical structures as they perform ultrasound examinations and patient assessments.

We also received the inaugural Innovation Award of .orgCommunity for the Anesthesia SimSTAT platform we developed in collaboration with the American Society of Anesthesiologists®. This breakthrough in screen-based training features a realistic patient with physiology that enables clinicians to better manage anesthesia emergencies while completing their continuing medical education (CME) requirements and Maintenance of Certification in Anesthesia (MOCA) courses online. Accessible from a laptop, Anesthesia SimSTAT also provides users with immediate performance assessments and confidential feedback for deeper learning.

### Teaming up with the American Heart Association

In January 2018, we joined forces with the American Heart Association (AHA) to advance its mission of fostering healthier lives, free of cardiovascular disease and stroke, in more countries around the world. Together, we're establishing a network of International Training Sites to deliver lifesaving AHA-accredited courses in currently underserved countries.

Early in 2018, we opened the first authorized AHA International Training Site at the CAE Brunei multipurpose training centre. The site offers AHA emergency cardiovascular care (ECC) courses in basic life support, advanced cardiac support and pediatric advanced life support. At the CAE Healthcare Academy, we've been developing and training faculty on AHA-aligned simulator-based curriculum for years.





### Latin America's first mobile simulation centre

The University of Costa Rica's School of Nursing turned to us to help establish Latin America's first mobile simulation centre. The centre will help improve patient safety and outcomes by allowing Costa Rican medical professionals and students to train in a controlled environment. The mobile centre will also play a vital role in bringing CPR and first-aid training to communities.

The custom, air-conditioned trailer features a CAE Apollo and a CAE Juno manikin that, together, simulate more than 70 standard clinical procedures. The manikins also replicate scenarios ranging from cardiovascular arrest

to childbirth. The mobile centre easily converts into a classroom where our [LearningSpace](#) software helps students debrief and discuss what happened during their hands-on simulation experiences.

The University of Costa Rica also outfitted the centre with the necessary equipment to transform it into an emergency medical centre on wheels. In the event of emergencies such as natural disasters, the mobile centre can travel to where it's needed to provide treatment including minor surgeries.



### Expanding the Human Patient Simulation Network

Every [Human Patient Simulation Network \(HPSN\)](#) event offers participants the opportunity to meet, engage, learn and grow. In fiscal 2018, we expanded the network by hosting our first HPSN conference in the United Kingdom as well as four regional SimDays in the United States. In fiscal 2019, we'll host China's second HPSN conference. We're also planning an HPSN Day in Canada.

The HPSN's mission is "to bring the international simulation community together, offering collaborative workshops, hands-on learning opportunities, resources and technologically advanced simulation-based medical education (SBME) solutions that enhance patient safety and improve outcomes."

## Looking ahead

Simulation-based training represents the future of healthcare training and patient safety. The globe's aging population will increase both people's healthcare needs and nations' healthcare costs. New regulations are expected to further stimulate the adoption of simulation-based training in medical schools and for certification purposes. Limited access to real patients during training and the medical technology revolution are also fuelling the growth in simulation-based training.

At CAE, we'll continue to introduce new product innovations and actively pursue new partnership agreements. In fiscal 2019, we'll launch CAE Ares, our newest mid-fidelity manikin for emergency care providers. It will allow us to make inroads into the global market for mandatory Advanced Life Support (ALS) and Advanced Cardiac Life Support (ACLS) training for clinical professionals and hospital teams. Ongoing investment in our Healthcare sales force will also enable us to grow our market share.



## Feature story

## Training India's next generation of nurses

Nurses are on the frontline of patient care worldwide. They're the only profession that attends to patients' physical and emotional care needs around the clock. It's a complex, demanding role that requires a multitude of technical and non-technical skills. In January 2018, nursing students at the Bangalore Baptist Hospital (BBH) in Bengaluru, India, gained a significant edge in preparing for this critical role. She's called **CAE Juno**, the latest in simulation-based training and the first clinical skills training manikin of its kind in the country.



**Dr. Robert Amyot**  
President of CAE Healthcare

“CAE Juno helps nursing students master critical clinical skills before they interact with real patients or participate in interprofessional team simulations. With CAE Juno, we're giving a broader audience of healthcare students and professionals access to both enhanced clinical education and patient safety.”

### Bridging the gap

Nursing programs and their students are confronted with an increasingly complex reality. They face the challenge of caring for sicker patients at a time when, due to liability concerns, universities and hospitals are reducing the clinical hours available to students for practising their skills. What's more, nurses deliver intimate personal patient care that isn't easily practised on a real person for the first time when they're vulnerable. CAE Juno effectively addresses these challenges by bridging the gap between the classroom and hospital setting.

“We're seeing how CAE Juno transforms the students' education from abstract to practical hands-on learning,” affirms Leena Raj, Principal of BBH's Nursing Institute. “CAE Juno turns a one-way lecture into a concrete, enjoyable teaching/learning experience for both the students and the facilitators. We don't have to wonder anymore if the student got the point. We know right away if they've grasped it or not. You can't fake it with CAE Juno.”



**Leena Raj**  
Principal of BBH's Nursing Institute

## CAE Juno in action

At BBH, CAE Juno is challenging nursing students to put their knowledge and skills to the test in a simulated high-pressure clinical setting. Students practise their critical thinking skills, learning from experience in a safe-to-fail environment. CAE Juno takes them through a number of Simulated Clinical Experiences (SCEs), from simple tasks to more advanced patient care. And no one knows better than Sheena George that you can't fake it with CAE Juno.

When the second-year nursing student interacted with CAE Juno one day, she was confronted with the unexpected. What started as a simple intravenous medication administration quickly deteriorated into a critical situation when the patient's vitals plummeted and arrhythmia ensued. In this patient scenario, CAE Juno had an underlying condition: she was diabetic. While CAE Juno's software ran the SCE selected by the facilitator, Sheena had to rapidly assess and analyze the situation, provide the appropriate nursing care and then wait to see what happened next.

With CAE Juno's software operating the SCE, the facilitator is free to focus on observing the student's clinical decision-making skills as well as how the student communicates with CAE Juno—yes, CAE Juno talks! The facilitator evaluates everything through her tablet. With a simple tweak, she can immediately add another layer of complexity to the situation.

Nursing students at Dawson College in Montreal, Canada, are also accelerating their learning thanks to CAE Juno.

[Watch the video](#)



## Accelerating the learning

"At first it was pretty unnerving, but with practice I became less afraid and more confident in my ability to use my critical thinking to figure out what to do," says Sheena. "CAE Juno is definitely helping me learn and strengthen my nursing skills faster."

Leena concurs: "What we're observing is that the students who work with CAE Juno make fewer mistakes compared to those with no simulation experience. We're so grateful for the funding from Samaritan Outreach Medical Ministries, through a grant from the Butterfield Foundation, that allowed us to acquire CAE Juno!"

In addition to helping train 400 future nurses at BBH annually, CAE Juno will also be part of the hospital's [national simulation workshops](#) to share nursing simulation education best practices throughout India. And to gather conclusive data regarding CAE Juno's impact on learning, the manikin is currently at the centre of the Fulbright-Nehru Research Flex Grant research study on the effects of simulation in nursing training.

## What's next for patient care simulators?

"Nurses are one of our largest audiences," says Wendy Jo Wilkinson, MSN, ARNP, Chief Nursing Officer, CAE Healthcare. "CAE Juno provides this important stakeholder group with a more affordable patient simulator designed just for them. The response has been amazing. Since its launch in June 2017, CAE Juno is now in 33 countries around the world. And she's only getting better. We're about to introduce an integrated ultrasound-guided intravenous placement capability, an important new skill nurses need to have today. This will make CAE Juno the world's first patient care manikin with this capability!"

At CAE Healthcare, we also continue to enhance healthcare education for other stakeholder groups. In June 2018, we'll roll out an emergency care manikin called CAE Ares. CAE Ares fulfills the requirements for emergency care management as well as advanced life support training. CAE Ares is compliant with the American Heart Association's guidelines for Advanced Cardiac Life Support training.

"In the 1800s, Florence Nightingale, the mother of modern nursing, stated that nurses' first job is to do no harm to patients," states Amanda Wilford, Group Leader, Adjunct Faculty International, CAE Healthcare. "CAE Juno trains nurses thoroughly to help ensure that they do no harm. And as more patient care shifts from clinical settings to the community, this highly portable manikin can go wherever nurses need to be trained, including the most remote rural areas. This spells good news for improving both clinical education and patient safety across the globe."

## Feature story

## What's changing at CAE? Our culture.

Years ago, renowned management guru Peter Drucker famously proclaimed: "Culture eats strategy for breakfast." At CAE, we've learned that, in fact, culture impacts virtually everything, from employee engagement and customer satisfaction, to talent retention and business results. That's why evolving our culture is a priority that starts at the top.



**Dan Sharkey**  
Vice President of Human Resources, CAE

“CAE is pivoting from being product oriented to a service provider with an **ambitious vision**. The success of this vision hinges on our employees' full engagement, which requires a culture that's open, progressive and people centric; agile, transparent and responsive. A culture where our employees' experience is as important to us as that of our customers.”

“Culture change **takes time** and it never succeeds without visible and vocal champions in the senior levels of the organization,” continues Dan. “Our executive management team is actively involved in reinvigorating every aspect of our culture, from our values and workspaces, to the way we share feedback and communicate, to how we recognize and develop employees.”

### Employees as catalysts of change

The actions we're taking to improve our culture are gaining traction for one simple reason: they create tangible value for both employees and CAE. If a change doesn't add value for employees, we're agile and we adjust it based on the input. Employees are clearly at the heart of this culture evolution.

When employees expressed their views in 2014 and 2015 surveys, executives listened and took immediate steps to further understand and address the roadblocks to having a positive employee experience.

First came **the new company values** in 2017, developed with the input of some 120 leaders from around the globe, and by leveraging employee feedback. Interactive 'Making CAE Values Live' training sessions delivered to executives, directors, managers and group leaders received **positive reviews**. Executive participation in the leaders' sessions underscored the new values' importance. Online training on our values, along with leader discussions with employees, is helping everyone understand the values and make decisions that align with our vision.

## We're never too old to change



**Lisa Stedel-Smith**  
Leadership and Organizational  
Development, Human Resources Leader

In 2017, all members of the senior leadership team were asked to change 'one big thing' in their behaviour to better align with CAE's values. To help pinpoint this behaviour, employees identified, via a confidential survey, a significant improvement goal they recommend for their direct leader.

Another sign from last year that things are changing was the way we celebrated **our 70<sup>th</sup> anniversary** and the focus we put on employees and having fun together.

"If we'd turned 70 two years ago, we'd likely have marked the occasion with an email to employees," smiles Lisa Stedel-Smith, Leadership and Organizational Development, Human Resources Leader. "Instead, we united as One CAE to mark the milestone with a year-long celebration that was hugely successful and full of activities."

## Sparking a new office vibe

Employee feedback also lies at the heart of the engaging new work environments that are popping up across CAE. A new 26,000-square-foot workspace in the Montreal head office provides physical evidence of the cultural shift underway. Like our other recent office renewal projects, its activity-based workstations, couch lounges and scrum stand-up meeting tables promote collaboration, teamwork and efficiency. More flexible working-from-home guidelines give employees even more options.

And that's not the only way the office vibe is changing at CAE. Employee feedback sparked a complete re-engineering of our performance management system as well as the launch of our new real-time engagement tool. It helps us create a great workplace by keeping our finger on the pulse of employee engagement year-round.

"Instead of doing mega surveys every two years, we run short, fun pulse surveys every two weeks," says Dan. "These frequent five-minute surveys provide immediate insight into a team's dynamics and mindset. We capture the ebb and flow in employee sentiment and facilitate open and ongoing dialogue about what's working and what's not."

## Rethinking performance management

When employees expressed strong reservations about our traditional performance reviews, CEO Marc Parent didn't just listen. He promptly challenged his team to come up with a completely new approach, more aligned to an agile, progressive and people-centric company. Following extensive research and benchmarking, people from every level and function came together to develop **CAE+me**, a lighter, simpler process focused on the user experience.

"With CAE+me, regular feedforward/feedback conversations and coaching foster continuous learning and performance excellence," describes Lisa. "Comments collected from and for employees, managers and peers fuel reflection and discussions to help employees develop and grow. The focus has shifted to valuable conversations and sharing of insights versus following a process for the sake of following a process. Employees and leaders will now connect in one-on-one conversations, whether weekly, bi-weekly or monthly, whatever cadence meets their needs. Our approach for setting and adapting professional and personal growth goals has never been so agile."

## Walking a new talk

Our style of communication is also shifting to a more transparent tone, focused on recognizing and celebrating employee strengths and successes. In meetings, leaders now want to know how employees are doing, not just what is happening with the business. A new diversity and inclusion program is being developed to help ensure every member of our global workforce is respected and celebrated.

We're more adamant than ever about taking the time to acknowledge employee dedication and contribution. That's the purpose behind **CAEchampions**, an online portal featuring tens of thousands of peer testimonials praising colleagues and teams who embody excellence.

Dan sums up: "All these changes are embedded in everything we do. People can see and feel what we're aspiring to become and that we're actually going to get there. That's very exciting. The momentum of these changes is unstoppable. There's no going back and there's no limit to what we can achieve."



# Corporate social responsibility

Corporate social responsibility

## CSR message



**Hélène V. Gagnon**  
Vice President, Public Affairs and  
Global Communications and  
Leader of the CSR Committee

## Raising the bar in CSR

We took crucial and significant steps in fiscal 2018 to lay the groundwork for amplifying our impact and improving our performance in corporate social responsibility (CSR). From sharpening our materiality matrix by engaging with external and internal stakeholders, to revamping our roadmap and empowering our CSR Committee to raise the bar, we're taking our commitment in CSR to the next level.

### Taking the next big step

In fiscal 2015, we put CSR soundly on the map at CAE. Since then, our company has grown in maturity, engagement and energy around CSR initiatives. We've accomplished most of what we set out to achieve back then. Today we view CSR as both a business imperative and enabler. When we took stock of our CSR journey in fiscal 2018, it became clear that we were ready to take the next big step.

Taking this step compelled us to look further up the 'CSR tree' to seize higher hanging fruit. To set and pursue evermore challenging goals and objectives. It was, in many ways, a natural step because **CAE's purpose** is already firmly rooted in the principles of CSR. Our purpose captures how we make a difference in the world by generating **economic, social and environmental benefits**. It also helps us bring **our vision** to life.

### Validating our materiality matrix externally

We invested to reevaluate and validate our materiality matrix with both external and internal stakeholders. Working with CSR consultants, we developed an online survey composed of 30 material CSR topics. In addition to 50 external stakeholders that included investors, customers, partners and non-profit groups, 1,440 internal stakeholders—a very impressive turnout that

reflects employees' increased CSR engagement—participated in the survey. Everyone ranked these 30 topics from most to least important to them as well as to CAE's strategy.

Together with the consultants, the CSR Committee spent the next few months analyzing the survey's findings and refining our materiality matrix.

Today our **new materiality matrix** gives us greater confidence that we're investing in the CSR initiatives that matter most to CAE and its external and internal stakeholders.

### Revamping our CSR pillars and roadmap

Equipped with this new matrix, the next step was to revisit our CSR pillars and roadmap. This important exercise helped us reorganize our CSR pillars to sharpen our focus in the following areas: **Ethics and integrity**, **People and safety**, **Innovation and customer experience**, and **Community and environment**.

With these new pillars in hand, we brought in our business units and functions to lay out a new five-year strategic roadmap for enhancing our impact and performance across these four pillars. You'll find our new pillars and their associated goals and objectives outlined in this report.

## Strengthening our CSR Committee

The last key driver for taking our CSR commitment to the next level entailed strengthening our CSR Committee. While already engaged and active, we knew the committee could benefit from greater gender diversity and broader geographic representation. As a result, our new CSR Committee grew from 18 to 23 members and from 5 to 11 women with representation from all functions and business units.

We're proud to have invested in putting these important pieces in place. And we're fully engaged in ensuring the next phase of our CSR journey helps make our world an even safer, cleaner and better place for all.

# CSR governance and oversight

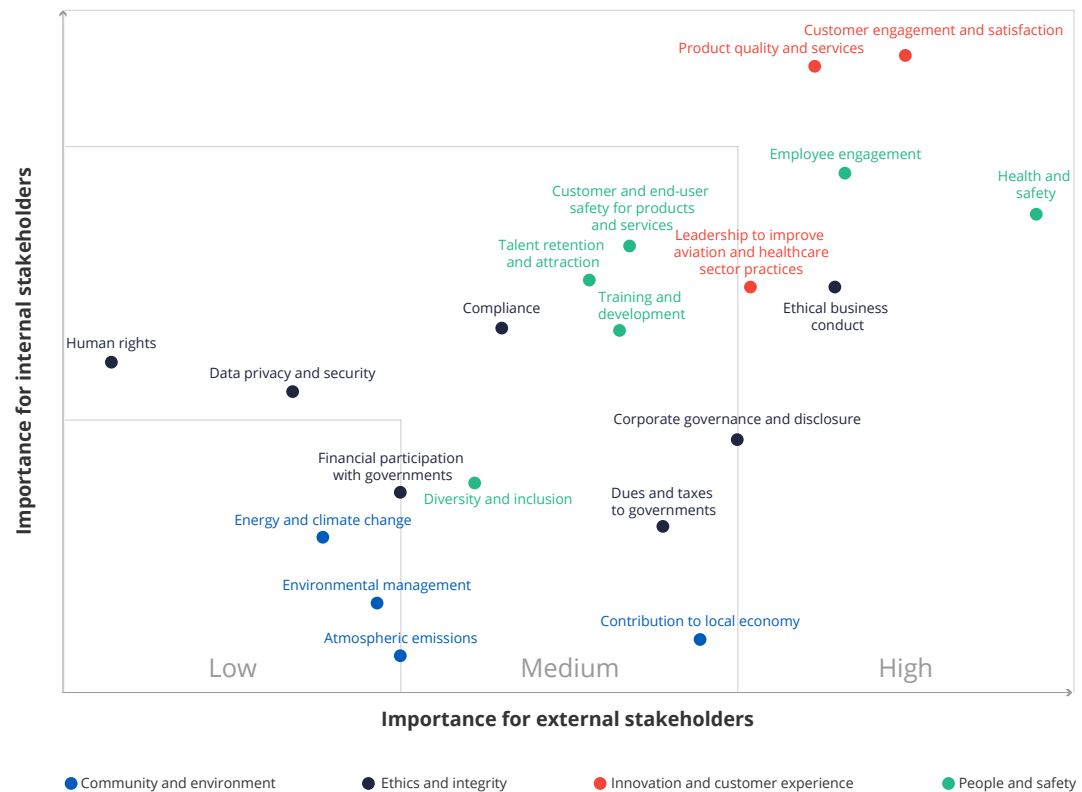
## Our CSR Committee

- Includes members from all functions and business units
- Includes three members of our Executive Management Committee
- Interacts with our various stakeholders (investors, employees, customers, suppliers, aviation regulators, governments, local communities and universities)
- Oversees our four new core CSR priorities

The CSR Committee meets quarterly to review progress and, through the CSR Committee Chair, reports performance quarterly to the Executive Management Committee and periodically to the Board of Directors. The Chief Compliance Officer provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Board.

## Materiality matrix

In fiscal 2018, we revisited our materiality matrix following consultations with internal and external stakeholders to focus our efforts on the issues that matter most.



## Corporate social responsibility

# People and safety



## Our objectives

Be an aviation safety model for the industry in our flight operations

- Increase the number of voluntary safety reports by 10% annually
- Perform one or more external, live flight safety reviews annually
- Reduce the number of incidents with serious injury or material damage by 10% annually

Achieve world-class performance in occupational health & safety

- Reduce our Injury Frequency Rate (IFR) and our Days Lost Rate (DLR) by 5% annually
- Include H&S as a key indicator in the governance process for all our business units
- Develop interdependence behaviours to increase our Near Miss Reporting Rate (NMRR) by 5% annually
- Continue investing in our Global Health & Safety Management System to achieve our zero-injury vision

Attract and retain the most talented and engaged people around the world

- Craft and implement tailored development plans to support the growth of our people
- Continue to maintain and create co-op and internship opportunities in Canada every year, including Work-Integrated Learning (WIL) activities (seminars, industry-led classes, industrial visits, hackathons on industrial challenges, mentoring, etc.)
- Move or promote 20% of identified high-potential employees to new roles annually

Increase diversity and inclusion throughout our workforce

- By FY22, ensure 30% of our Board members are women
- Establish a Diversity Council made up of members of CAE's leadership team
- By FY23, improve our gender diversity by increasing the number of female employees by at least 10%
- By the end of FY19, benchmark current best practices and establish targets to increase the recruitment and placement of female leaders
- By FY23, increase the number of high-potential employees in key roles by 20%, with 30% of newly identified high-potential employees being women

## Why it matters

At CAE, our purpose is all about ensuring the safety and well-being of our stakeholders and our industry. It's about putting people first. As our company shifts from a product to a training service focus, attracting, developing and retaining the best talent is more crucial to fulfilling our mission than ever. So is cultivating the highest levels of employee engagement.

We're committed to ensuring that flying stays one of the world's safest mode of transportation by advancing the highest standards of aviation safety, from the ground up into the skies.

## Our goal

Be a global employer of choice and a world-class leader in safety.





## Aviation safety

Aviation safety has always been at the centre of CAE's fabric. Making the skies safe is rooted in everything we do, from the design of our training products, simulators and computer-based courseware, to the delivery of our training services on the ground and in the air.

Over four billion people fly annually on commercial aircraft, a number that continues to rise. Every year through our Civil Aviation and Defence & Security business units, we train more than 120,000 pilots and crewmembers around the world to fly safer, both in airborne aircraft as well as on the ground in flight simulators. We also train aircraft mechanics, flight attendants and managers on the skills they need to keep aircraft flying safely in our skies.

### Advancing aviation safety

Flying is one of the world's safest modes of transportation. At CAE, we're committed to ensuring that it stays that way by advancing the highest standards of aviation safety, from the ground up into the skies.

Our impact on aviation safety is twofold. Firstly, we're committed to serving as an **exemplary safety organization** in terms of our own flight operations. Secondly, we provide our clients with best-in-class products and services that help ensure the safety of the aviation community at large.

The following four Safety Management System pillars lie at the heart of our product and service development strategy:

- **Safety Policy** – Clearly defined policies, procedures and organizational structure
- **A "Just Culture" of Safety Risk Management** – Formal risk assessment, risk identification, blame-free root cause analysis and system monitoring
- **Regulatory Compliance** – Meeting or exceeding industry regulations and best practices in partnership with our quality assurance team to continuously improve our products, services and processes
- **Safety Promotion and Education** – Continuous communication and education of our stakeholders in terms of our safety-focused values and practices

Despite these extensive measures, accidents sadly still occur on the very rare occasion. On April 26, 2017, our CAE family was shaken by a fatal crash in Gondia, India, in which one of our flight instructors and one of his students lost their life. The cause of this tragic accident is still under investigation.

### Better training to improve safety outcomes

At CAE, we're developing training tools to increase aviation safety performance. We're at the forefront of the following advanced training approaches:

- **Evidence-Based Training (EBT)** – Training based on evidence from incidents, accidents and undesired aircraft states using data from virtually any resource but with a primary focus on flight operations supported by training data
- **Training and Operational Management System** – Providing diverse means to manage and scientifically mitigate safety, regulatory, competency and operational lapses

### Committed to continuous improvement

Our **Aviation Safety Program** is continuously evolving. In fiscal 2018, we launched an aviation safety program for our Defence & Security business unit. The program seeks to address the unique challenges of defence force training and of our growing live aviation training activities with defence forces worldwide.

The heads of our Civil and Defence aviation safety programs work closely together to share best practices as well as lessons learned. We also **partner with clients, regional regulators and the industry** to help evolve safety in aviation training by identifying, sharing and employing the latest best practices.

## Creating a solid foundation in H&S

To achieve our vision of world-class H&S performance and zero injuries, we're guided by our:



**Global Health and  
Safety Policy**



**Four strategic  
H&S pillars**



**Safety  
Management System**



**Global  
H&S team**



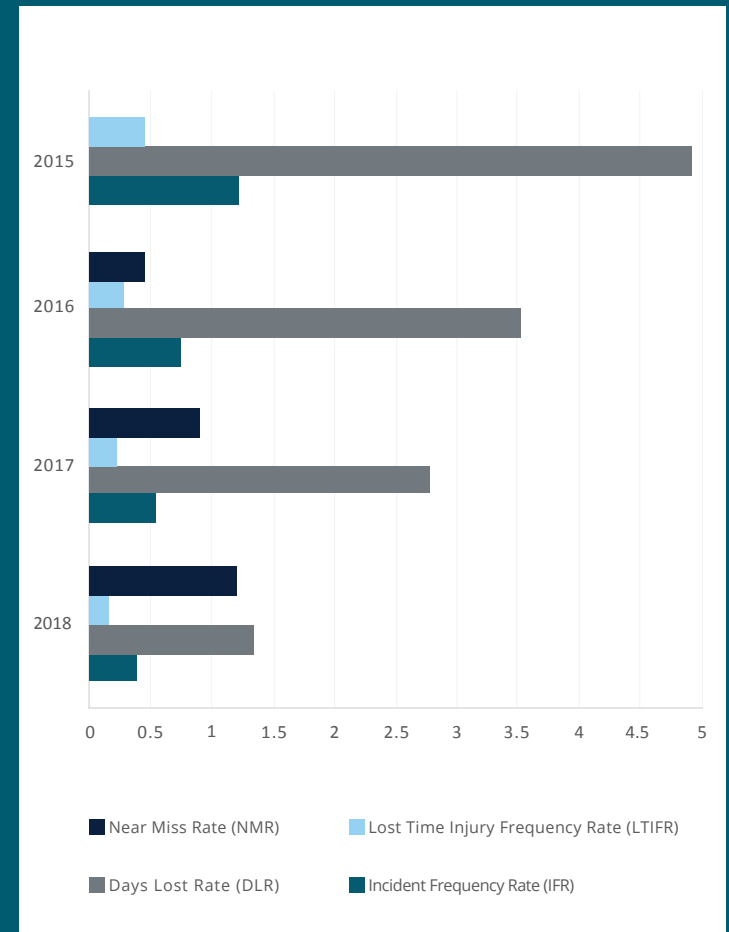
**Five-year strategic  
H&S plan**



**10 critical  
H&S standards**

## FY2018 highlights

Congratulations to our employees worldwide for reducing our Injury Frequency Rate by 29% and our Days Lost Rate by 52% for the fourth consecutive year. Compared to fiscal 2017, our Near Miss Events Reported increased by 34%.



Per 200,000 hours worked

## Fostering world-class H&S performance



### Walking the H&S talk

To help ensure a companywide commitment to H&S excellence, all site leaders are expected to do a quarterly tour of their sites and encourage everyone to walk the H&S talk. In fiscal 2018, 88% of our 160 site leaders fulfilled this expectation.

### An improved global H&S team structure

To better coach and support our sites and operations, we created regional H&S business partners with each individual overseeing one of the following regions: America, Europe/Middle East and Asia/Pacific/India. We also added a new team member to focus solely on our U.S. operations.

### Exchanging best practices

At our second annual Global Health and Safety, Environment meeting, more than 60 participants from across our operations gathered in Montreal to exchange lessons learned and best practices in H&S, the environment, safety management, security and aviation safety.

Other channels dedicated to sharing best practices include regular conference calls, our H&S recognition awards and our Learn From Incident (LFI) communications and action plans. Our annual celebration of World Day for Safety and Health at Work provides another opportunity for sites to communicate their best and good practices.

Thousands of employees  
preventing accidents together.  
**One CAE.**



### Mandatory near miss training

In fiscal 2018, we developed a near miss training program to raise employee awareness of and accountability for reporting all near misses. Rollout of the mandatory companywide training began in early fiscal 2019. We also produced a series of powerful videos featuring testimonials of employees involved in accidents or near misses and the steps subsequently taken to prevent these incidents from recurring.

[Watch the video](#) 



### Slip/trip/fall campaign

Also in the spirit of incident prevention, we rolled out a global slip/trip/fall campaign to address the increasing number of people falling in the stairs across CAE sites.



### H&S at Global Family Day

As part of our 70<sup>th</sup> anniversary celebrations, health and safety matters were front and centre at our Global Family Day across our 160 sites.





## Recognizing H&S excellence

Every year, our H&S recognition program strengthens our Safety First culture by highlighting and celebrating significant H&S contributions in four categories: business division, site, project and individual.

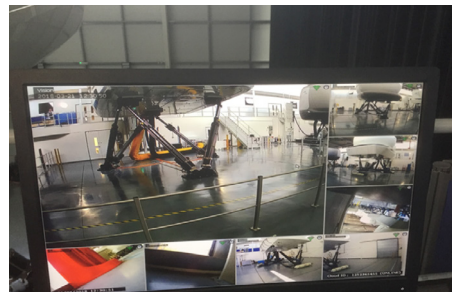
## Congratulations to the following fiscal 2018 winners:



### Business Division **D&S Australian region**

In Australia, our Defence & Security H&S committee and team led the way in taking health and safety to the next level by effectively sharing and deploying our global H&S standards in each site. Effective communication enabled them to efficiently assess and share best practices across the regional network. They also helped the region achieve some significant business objectives.

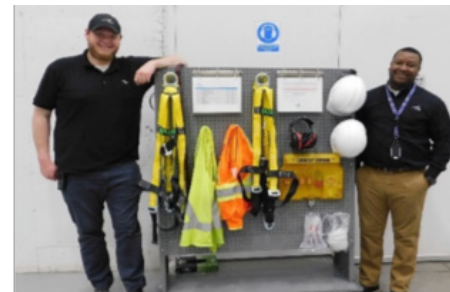
Congratulations to Roche Larino and her team for their commitment and accomplishments!



### Site **Burgess Hill, U.K.**

Our CAE London Burgess Hill training centre's innovative actions helped put health and safety front and centre for employees. Among the initiatives, they installed cameras under simulators to ensure the safety of the perimeter. They also conducted numerous governance and training sessions to help prevent accidents.

Congratulations to Technical Services Manager Franco Petrazzuolo and his team!



### Project **JRA/PPE cart, Minneapolis, U.S.**

This team had the brilliant idea to create a portable safety station. The cart features all job risk assessments (JRAs), log-out tag-out (LOTO) procedures and personal protective equipment (PPE) needed to work on a simulator. Useful and well-received by the site's technical team, the cart can be wheeled to any location to help employees perform tasks safely.

Congratulations to Harry Jenkins and Scott Nerpel!



### Individual **Clément Léonard** Team Leader - Hardware Installation

Clément is actively involved in improving health and safety measures at both the preventative and corrective stages. He finds creative and effective solutions to H&S challenges. Most recently, he helped develop a rigging Standard Operating Procedure for customers, standardize our installations and raise employees' H&S awareness.

Well done and thank you Clément!

## Our people

### Hats off to our employees

In the late 1940s, CAE consisted of 18 employees repairing and installing Royal Canadian Air Force (RCAF) radio equipment from a vacant aircraft hangar in St. Hubert, Canada. Today our 8,500-plus employees work across 160 sites in more than 35 countries delivering sophisticated integrated training solutions. Their expertise and passion for excellence fuel our global success as the training partner of choice in civil aviation, defence and security, and healthcare.

### Thousands of stories. One CAE.

We celebrated our 70<sup>th</sup> anniversary with our employees throughout the year. We created a network of 160 ambassadors and site leaders to engage employees worldwide in fun and creative activities to mark this important milestone. Our 70<sup>th</sup> anniversary campaign theme of “Thousands of stories. One CAE.” rallied people around sharing their stories to showcase both the diversity and unity of the CAE family. [Employees were at the centre of the celebrations.](#)

### Improving employee engagement

In the fall of 2017, we launched a simple and fun five-minute employee engagement pulse survey that runs every two weeks. The survey allows employees to express themselves and gives leaders real-time valuable insight into their team’s mindset at any given point. It also catalyzes more open discussions between leaders, employees and teams and, where needed, helps them work together to address areas requiring improvement.

Leaders are able to spot trends over time and focus their efforts accordingly. They’re also encouraged to share findings and learn from each other to collectively focus on fostering an excellent employee experience at work.



### Evolving our culture

In 2015, we embarked on a culture evolution journey to align with our new vision and strategy. As we pivot from being product oriented to a service provider, we’re taking steps to foster a culture that’s more open, progressive and people centric; agile, transparent and responsive.

Our executive management team is actively involved in driving our organization forward on this journey. And in fiscal 2018, we provided close to 4,900 hours of training worldwide to support this journey.

Learn more about [our culture evolution in our feature story.](#)

### Developing talent at CAE

As part of our culture evolution, we redesigned our performance management process and tools to strengthen our ability to develop and retain talent, today and tomorrow. We used an agile approach involving a team of about 40 employees from all business units, regions and levels. Working together as One CAE, they designed a new talent development process focused on the user experience.

In fiscal 2018, we deployed the first three of five elements in this process: Continuous Feedback & Coaching, User-friendly Tools, and Differentiation & Rewards. The last two elements, Agile Goal Setting and Measuring Our Success, will follow in fiscal 2019. We also provided over 4,500 hours of training for leaders to support this new approach.

### CAEchampions recognition program

CAEchampions, our global employee recognition program, is now in its second year. It enables us to reward employees for their years of service while building a culture of peer-to-peer recognition. This peer-to-peer recognition has quickly become a habit for hundreds of CAE employees. e-Bravos, an online tool that lets employees congratulate and celebrate each other for their contributions in real time, is proving to be an effective tool for promoting an engaged and high-performance culture.

In fiscal 2018:

# 15,143

**e-Bravos**  
sent by employees

# 1,191

**Service awards** bestowed for  
≥ five years of service



## Encouraging diversity and inclusion

Diversity and inclusion is an integral part of our overarching value **One CAE**. In fiscal 2018, we began developing a multi-year diversity and inclusion initiative focused on culture and talent. Our short-term goals are to foster an inclusive, gender diverse environment, free of bias, and to develop our female leaders and increase their numbers.

Our diversity and inclusion program will seek to:

- Foster a culture and environment where diversity is valued and leveraged
- Recruit a gender diverse pool of talent (at all levels)
- Develop and retain a talented, dedicated pool of female leaders
- Increase gender diversity in senior and managerial positions
- Build diversity and inclusion awareness and educate employees
- Ensure an inclusive approach in our policies and practices

## Creating an activity-based work environment

In fiscal 2018, we continued to deploy our modern and engaging new workspaces in many locations across the world. Feedback from employees working in our pilot project workspace created in 2016 helped us learn and integrate their recommendations into the deployment of follow-on workspaces.

These bright, functional work environments include private spaces, scrum areas for daily meetings, coffee corners, lounges and team work areas. Our objectives are to increase innovation, collaboration and employee satisfaction by allowing each employee to choose the best work environment for the task at hand.

## Women in Aviation International (WAI) events

Women in Aviation International (WAI) events bring young girls into contact with professional female pilots and various types of aircraft. We support the annual WAI event in Lachute, Quebec. We also help sponsor The Sky's No Limit - Girls Fly Too! event in Abbotsford, British Columbia. It enables girls and young women to discover the amazing opportunities available to them in aviation, aerospace, marine & defence and other fields related to science, technology, engineering and mathematics.

## Initiatives for talent recruitment

Over the past five years, our employees have helped develop Canada's next generation of talent and expertise by working side by side with over 1,200 co-op students.

The benefits to both CAE and the students are significant. Our employees also actively mentor high school students interested in engineering and science through diverse programs and competitions.

To support CAE's growth in fiscal 2018, we leveraged several tools and events to tap into our global pool of external candidates.



## Corporate social responsibility

# Ethics and integrity



## Our objectives

Instill and apply an ethics and integrity mindset to all actions and decisions

- Ensure CAE lives and works by its [five core values](#)
- By FY19, target 100% of acknowledgement of compliance with the CAE Code of Business Conduct by all employees
- Continue to train all management and key personnel on the CAE Code of Business Conduct, and by FY21 extend the training to all employees

Conduct our business with world-class processes to meet and surpass data privacy and export control standards

- Standardize data handling processes in all regions worldwide to help continually enhance our compliance processes and maintain state-of-the-art security and controls of controlled data
- Standardize export control training processes in all regions worldwide

Manage our supply chain in accordance with the highest ethics and sustainability standards

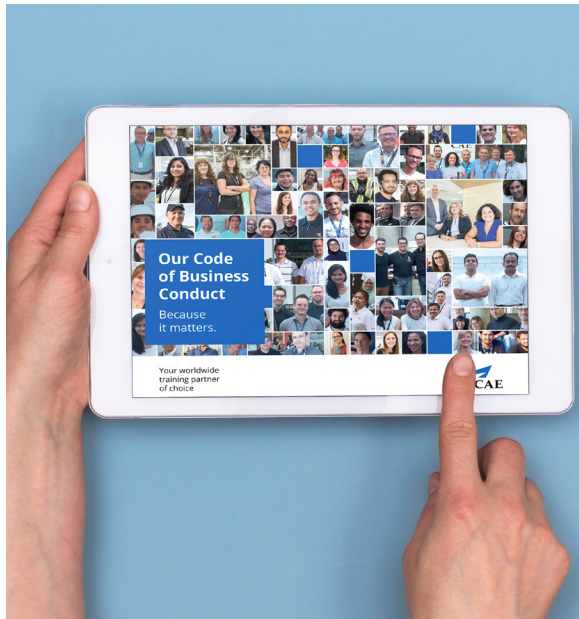
- Establish and communicate a policy on responsible procurement to suppliers and employees
- Evaluate major suppliers representing 50% of our annual spend on CSR compliance

## Why it matters

Adhering to the highest ethical standards is essential to building stakeholder trust, goodwill and value in today's world. We expect our employees and business partners to consistently meet these high standards.

## Our goal

Strive to reach the highest integrity and ethical conduct standards across all our activities.



## Reinforcing our Code of Business Conduct

In fiscal 2016, we launched a five-year process to enhance our Code of Business Conduct, underscoring our commitment to address major business ethics risks. This included integrating our CSR core priorities into the Code and training our managers on the Code. Starting in fiscal 2019, all employees worldwide are required to read, acknowledge and agree to comply with our Code on an annual basis. We also revamped our Code of Business Conduct to make it more succinct and user friendly. Our new Code of Business Conduct was launched in May 2018.

[Consult the Code of Business Conduct](#)



## Improving business integrity and ethics governance

Bribery and corruption are risks faced by virtually all organizations operating globally. Over the past five years, we've taken several significant measures to address these risks and strengthen our compliance program.

Under the leadership of our General Counsel, Chief Compliance Officer and Corporate Secretary, in fiscal 2018 we continued to take pivotal steps to better manage the risks posed by foreign representatives. We terminated or didn't renew a number of agreements with foreign representatives as we expanded our local presence around the globe. Since 2014, we've reduced the number of foreign representatives we use by over 40%. Channelling our efforts toward growing our worldwide sales force has, in turn, decreased our need for third-party intermediaries. For fiscal 2019 and beyond, our goal is to continue to reduce the number of third-party representatives we use. We carefully monitor our foreign representatives activities, conduct detailed due diligence prior to engaging or renewing their agreements, and require that they sign an anti-corruption certification every year.

In fiscal 2018, we delivered live training sessions on CAE's Anti-Corruption Policy to the sales, business development, marketing, finance, procurement, program management and human resources functions across all CAE divisions. We improved our Corporate Policies and Procedures with our new branding and advertising guidelines, and updated our Social Media and Employee Communications Policy, our [Human Rights Policy](#) and our Donations and Sponsorships Policy. We also created a new Lobbying and Political Contributions Policy.

We'll continue to leverage our ongoing compliance review to reinforce our governance, risk management and internal controls. Periodic risk assessments and audits of our areas of risk help us maintain oversight on our practices and operating guidelines. Our Compliance Office works closely with the internal audit team to perform these audits. The Compliance Office also conducts risk assessments and monitoring on different programs as the need arises.

## Protecting customer and employee data

The privacy of our customers, employees and business contacts is of the utmost importance. We're committed to respecting their privacy by handling personal information with the necessary level of sensitivity and confidentiality in compliance with all laws and regulations. Under the leadership of our General Counsel, Chief Compliance Officer and Corporate Secretary, we adapted our business processes and activities to comply with the EU's new General Data Protection Regulation (GDPR).

Also in fiscal 2018, we created a team of 11 data protection officers. And, as part of our annual training, employees receive regular training on handling personal information. We also continue to have strong controls to ensure protection of intellectual property and the exportation and importation of commodities, services and technical data.

Under the leadership of our Chief Information Officer (CIO), we aligned our IT policies framework with the U.S.'s National Institute of Standards and Technology (NIST) 800-053 and 800-171. To further enhance our protection against data security breaches, we continue to invest in the deployment of cyber security controls to comply with aerospace and defence industry standards.

Every year, all employees participate in mandatory IT security awareness training. We recently strengthened this training program to further enhance employees' knowledge of cyber risks and information protection measures. We also regularly assess our IT security controls. Our CIO reports IT security incidents to the Executive Committee and the Board's Audit Committee. He also presents our IT security plan and reports on its progress.



## Global communication and alignment for strategic sourcing

In fiscal 2018, the Global Strategic Sourcing team held a seminar to communicate, exchange and align on key initiatives and topics. Representatives from multiple regions were present to discuss and share best practices on topics such as corporate social responsibility, health and safety, and the European Union's General Data Protection Regulation (GDPR). Participants identified opportunities for synergies within procurement processes and supplier performance management.

## Green procurement

Suppliers are requested to provide information and appropriate documentation indicating their alignment with our environmental principles. Their responses regarding involvement in environmental initiatives and sustainability strategies are integrated into our approach to green procurement within the supply chain.

## Responsible supply chain management



As a signatory to the UN Global Compact, we demonstrate our commitment to upholding its principles, in part, by taking steps to ensure responsible procurement. We integrate human rights, labour, environment and anti-corruption considerations into our global strategic sourcing tools and processes.

An assessment of CAE's core supply chain validated the alignment of our strategic suppliers' CSR principles with those of CAE. Procurement documents such as [Request for Proposal, Supplier Survey Report and Purchasing – General Terms and Conditions](#) include clauses that address compliance with laws and ethical business conduct. Employee health and safety, combatting bribery, prohibiting the use of child or forced labour, hazardous materials, data protection and conflict minerals are among the issues addressed.

Social and environmental factors are considered alongside financial factors when making procurement decisions, and are detailed among the criteria used for supplier selection. We conduct spot verifications on suppliers and their supply chain when necessary. If a verification reveals non-compliant practices, we suspend all activities with the supplier and demand an immediate action plan and remediation. If the delinquent supplier implements corrective measures and demonstrates compliance with our policy, we then decide whether to resume business with the supplier. We had no reported incidents on supplier practices in fiscal 2018.



## Export control processes

In fiscal 2018, we completely reclassified our digital databank, including 900,000 hardware parts and 700,000 pieces of technical data, to strengthen our export control processes. We also launched our new digital library which is now fully functional.

The new library offers a standardized and robust solution for handling our technical data worldwide. It delivers enhanced protection throughout the data lifecycle, increased reporting capabilities and standardized business rules for handling technical data. It also minimizes the risk of proliferating and disclosing technical data to unauthorized parties.

The digital library's new search capabilities and shorter processing time for approving access are among the new features that improve our export control process efficiency.

## Conflict minerals

We continued to communicate our [Conflict Minerals Policy](#) to our suppliers. Our conflict minerals program, which includes supply chain surveys, supports this policy. We suspended or discontinued our business relationship with some suppliers who failed to respond to or complete these surveys. We also verify smelters reported in supplier surveys to ensure their participation in the Responsible Minerals Assurance Process (formerly the Conflict-Free Smelter Program).



## EthicsPoint: Our third-party anonymous reporting system

EthicsPoint helps us ensure that our local and international business activities meet the highest ethical standards. This website and call centre service provides employees, customers, partners and suppliers with a simple, risk-free way to confidentially report activities that may involve criminal conduct or violations of our policies and Code of Business Conduct. Our [Whistleblowing Policy](#) protects good-faith whistleblowers from retaliation.

We strongly encourage our employees and any party we conduct business with to come forward if they notice misconduct. This enables us to deter non-compliance and reduce our exposure to unethical behaviour.

Most concerns reported in recent years relate to human resources issues. We ensure all reports are rapidly and confidentially handled as required by law. Certain violations such as violations to the Code of Business Conduct require disciplinary action which varies depending on the severity of the breach. We make sure that appropriate incident investigation and corrective actions are taken for all reports. All EthicsPoint inquiries are reported to the Board on a quarterly basis.

In fiscal 2018, the number of whistleblowing reports increased year over year as shown in the table on this page. The most common type of EthicsPoint report relates to equal opportunity and harassment issues (two in fiscal 2017 and 10 in fiscal 2018).

Of the 17 reports received in fiscal 2018, eight were determined to be unfounded upon further investigation, two were retracted by the complainant, six were, in the end, unrelated to workplace or sexual harassment, and one complaint was resolved amicably between the two employees.

## Reporting

Our Chief Compliance Officer provides monthly compliance reports to the Executive Management Committee and quarterly reports to the Board.

## EthicsPoint reports

	FY18	FY17
ISSUES		
CAE property	0	0
Computer systems, internet, intranet and email	0	0
Confidentiality of company, employee and third-party Information	0	0
Contracts and records	2	1
Safety in the workplace	0	1
Equal opportunity and harassment-free workplace	10	2
Interpretation of the Code of Business Conduct	0	1
Reporting violations of the Code of Business Conduct	5	1
<b>Total</b>	<b>17</b>	<b>6</b>



**See all our site certifications**

## FY18 highlight

# 98%

of **management and of employees in key functions** completed **online training and certification** for our **Code of Business Conduct**

## United Nations Global Compact

We became a signatory to the UN Global Compact in fiscal 2016. Since then, we've aligned key documents with the UN Global Compact's Ten Principles and the United Kingdom Modern Slavery Act. We now require vendors to confirm their commitments to high ethical, environmental and social standards.

We developed a companywide Human Rights Policy, which was rolled out during fiscal 2018.

Corporate social responsibility

## Innovation and customer experience



### Our objectives

Elevate the CAE customer journey with a seamless training experience and delight at every interaction

- Implement our digital strategy to enhance our customer experience and leverage the latest learning technologies
- By FY23, provide training to employees on our digital strategy
- Continue to differentiate our suite of core simulation products by achieving 95% or more on our quality and schedule performance metrics

Be a thought leader on the evolution of safety practices in the aviation and healthcare sectors

- Continue to invest significant amounts in research and development every year
- Design and deliver quality and sustainable next-generation training products and services
- Partner with a least one important society/regulatory body in new product development
- Participate in at least one research program demonstrating the effectiveness of simulation in healthcare training

### Why it matters

Providing an outstanding customer experience and innovative products and services is key to our competitive advantage. Our strong innovation culture and commitment to best-in-class customer service ensure our industry leadership. They also support our vision to be recognized as the global training partner of choice.

### Our goal

Provide the best products and services in the industry by continually improving the quality, efficiency and safety of our customers' training experience

## Customer service

Our global Customer Service team supports both our Civil Aviation Training Solutions and Defence & Security business units. As these businesses grow, so does our need to consistently delight an even greater number of customers around the world. Empowering, training and recognizing our Customer Service employees is key to managing this growth and continuing to deliver excellent service.

### A busy year in customer service

In Civil Aviation, we improved our 24/7 emergency support system by leveraging our new office in Europe. Using European and North American time zones allows us to expand our daytime coverage and eliminate on-call coverage.

In May 2017, over 100 participants from around the world attended our highly successful CAE User Conference in Montreal. Customers provided us with invaluable feedback on our products and services. We gave them a glimpse of our product roadmaps and strategies to resolve industry challenges, along with a chance to experience our latest technologies. This year, we showcased technologies from our Civil, Defence & Security and Healthcare business units.

We also sharpened our focus on providing proactive technical communications. In fiscal 2018, the Customer Service team released over 70 technical notices, helping our customers optimize their operations by benefiting from the full capabilities of our products.

And since taking care of our team is key to ensuring the best customer experience, we held weekly employee relaxation and breathing technique sessions. We also launched a stair-climbing challenge where teams worked hard to climb the maximum levels every week.

### Tracking customer satisfaction

[Executive compensation](#) is tied, in part, to the customer satisfaction scores generated by our annual customer survey. In fiscal 2018, customers ranked our performance as follows:

#### Civil Aviation

**2/3**

of our  
**customer  
satisfaction  
metrics exceeded**

#### Defence & Security

**99%**

satisfaction for  
**on-time delivery**

**99%**

satisfaction for  
**product quality**

#### Healthcare

**4.8/5**

**net satisfaction  
score**

## Product excellence and innovation

With over 70 years of breakthrough innovations, our R&D has paved the way for leading-edge flight simulators, training systems integration (TSI) solutions and high-fidelity patient simulators. Our partnerships with industry organizations, regulatory bodies, suppliers and customers help us remain at the forefront of new safety, operating efficiency and environmental standards and processes.

### A focus on innovation

At CAE, our technological leadership is underpinned by our strong innovation culture, longstanding commitment to R&D and sustainability mindset. We devote over 7% of our global annual revenue to R&D and consistently rank as one of the top 20 Canadian companies in R&D investment.

**\$1.5 billion**  
invested in R&D  
over the past 10 years

## Innovating like start-up entrepreneurs

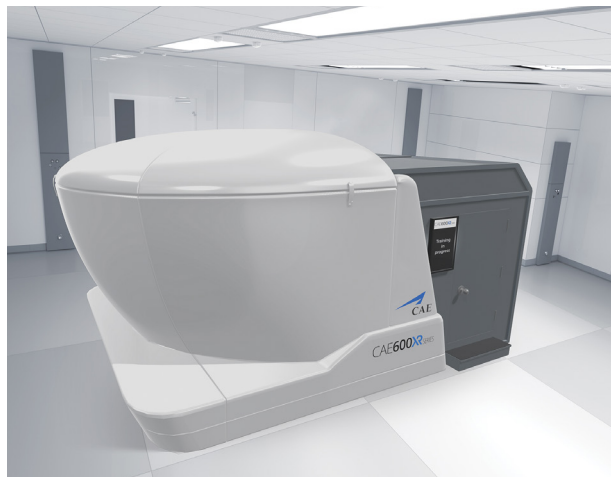
In fiscal 2018, for the final round of our **Innovation Challenges**, the best ideas were submitted to a panel of executives who had to decide whether the company would invest to take these ideas to the next level.

The nine teams came well-prepared and the executives made several recommendations before giving the thumbs up to proceed to the next step. The concept, inspired by a similar program for entrepreneurs on TV, was a hit and proved, once again, that innovation is stronger than ever at CAE.

## Sustainable products and services

CAE is the global leader in the sale of full-flight simulators (FFSs), a climate-friendly product. In fiscal 2018, we sold 50 FFSs.

Our simulators save millions of tonnes of CO<sub>2</sub> annually. In our Civil Aviation training network alone, the simulators we operate save over five million metric tonnes of CO<sub>2</sub> per year. We **estimate this number** using the number of training hours spent internally on flight simulators and multiply this by the normal burn rate (at cruise) of equivalent real aircraft. We lead the industry in introducing disruptive sustainable innovations to meet the highest safety standards required by governments, regulatory authorities and airlines. In 2018, we announced the launch of our newest pilot training innovation, the **CAE Rise™ training system**, with our longstanding partner AirAsia. It promises to take pilot training standardization and evaluations to a whole new level.



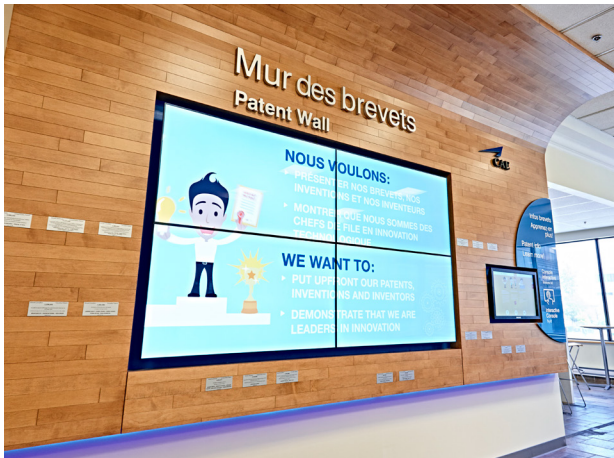
The CAE 600XR Series flight training device (FTD), the latest addition to our innovative suite of XR Series training solutions.

## Design for safety and environment

Our Global Engineering department designs our simulator technologies and training materials to improve resource efficiency, eliminate hazardous materials and increase our customers' energy efficiency. We follow **numerous standards** throughout our products' lifecycle, from the design and manufacturing stages to the end-of-life phase. As an example, we adhere to the Restriction of Hazardous Substances (RoHS) directive for the United Nation's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation.

In fiscal 2018, we continued assessing the environmental impact of our simulator product line, including the design and development of the CAE 600XR Series flight training device (FTD), the latest addition to our innovative suite of XR Series training solutions.





## Paying tribute to our inventors

We operate in an industry where securing intellectual property (IP) is vital to protecting our innovations in an increasingly competitive market.

As of today, we hold 93 patents and 186 patent applications thanks to our creative employees and the teams that support them. In fiscal 2018, we were granted 51 new patents derived from our R&D activities of previous fiscal years. We also filed 20 new patent applications and rewarded their inventors through our Eureka Program.

In fiscal 2018, we contributed to several roundtables with government, industry and other members of the IP community to provide recommendations for the new Canadian IP Strategy. We also partnered with specialized firms and participated in conferences aimed at educating and creating knowledge and awareness around topics related to IP value and protection. We co-wrote and published an article on IP value and protection in the *Licensing Journal*.



## Using neuroscience and big data to improve pilot performance

We joined forces with HEC Montréal's Tech3Lab to study how biometrics, neuroscience and big data analysis impact behaviour in a training context and to identify high-performance factors. Tech3Lab is one of North America's leading user experience research labs.

Our partnership on this project will significantly advance research on aircraft pilots' user experience in flight simulators. The partnership was made possible through the [Institute for Data Valorization \(IVADO\)](#).

As one of IVADO's founding members, we take pride in helping provide its 900 affiliated scientists with a multidisciplinary institute for developing processes to extract trends, metrics and concrete information from big data. Experts from IVADO's talent pool and Tech3Lab will work alongside our subject matter experts on research projects related to safety, security and efficiency, using data sciences.



## FY2018 Innovation Forum: Beyond outside the box

"Don't just think outside the box; make your box bigger!" This is just some of the valuable advice we heard from Krisztina "Z" Holly, the keynote speaker at our fiscal 2018 Innovation Forum. This annual event gathers 40 of our most innovative employees from the Engineering Technical Career Track.

This year, we had the widest representation ever at the forum, including employees from Canada, the U.S., the U.K., Germany, Hungary and Australia. During two busy days, employees listened to Marc St-Hilaire, our Vice President, Technology & Innovation, discuss our technology strategy and met the Civil and Defence & Security Product Management teams. They also learned how to leverage university relationships to further R&D as well as how they can contribute to CAE's growing patent portfolio.

## Corporate social responsibility

# Community and environment



## Our objectives

### Reduce our environmental footprint across our operations

- By year-end FY19, implement at least one paperless initiative in each of our sites
- By FY21, conduct or update energy and waste audits\*
- By FY22, source 75% of the electricity consumption of our European sites through renewable energy\*
- By FY23, install LED or energy efficient lights\*

### Support the communities where we operate through our global community investment program

#### Canada

- In FY19, launch a Canadian scholarship program to cover technicians, people wanting to become pilots, and students willing to be ambassadors to promote Work Integrated Learning in Canadian aerospace companies
- By FY21, launch a diversity scholarship program to allow women, Indigenous Peoples, persons with disabilities and visible minority individuals to complete their studies and better access positions with a greater representation gap
- By FY23, collaborate with over 50 post-secondary institutions and research centres

#### Worldwide

- Better promote the CAE scholarships offered globally
- By FY21, spend at least 40% of our **donations and sponsorships** budget on education
- By FY23, develop a volunteering program for our employees

## Why it matters

We know that we can only be successful if the communities and economies in which we operate are thriving and prosperous. Minimizing the environmental impact of our operations helps protect natural resources, improve employee and community quality of life, and preserve our license to operate. Our training solutions contribute to this wellbeing by increasing aviation safety, strengthening public security and improving patient outcomes.

## Our goal

Create a positive and sustainable impact in our communities and our environment.

\* At all CAE sites where we have operational control of the building or control on energy sourcing



## A neighbour of choice

Investing in local communities and their economies is key to building a reputation for being a neighbour of choice everywhere we operate. It also helps strengthen employee engagement across CAE. In fiscal 2018, our employees made a difference in several ways around the world.



**Riding to  
conquer cancer**



**Hurricane relief  
effort in the U.S.**



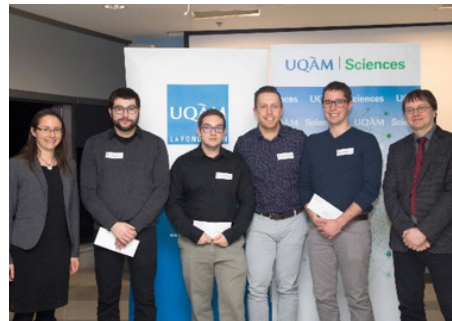
**Flooding  
in Quebec**



**FIRST Robotics:  
Mentoring youth**



**Student societies  
and engineering and  
commerce competitions**



**Post-secondary  
scholarships**



**Our award-winning  
Centraide campaign**

## Engaging with stakeholders

We proactively engage with a diverse range of stakeholders on a broad number of issues. This engagement takes the form of conferences, sectorial and cross-sectorial initiatives, partnerships with government and educational institutions as well as direct dialogue with various community groups.

## Contributing to fundamental and applied research

Over the past eight years, we've contributed talent and more than \$9 million to collaborative projects with universities and research institutes. Projects range from basic research to product, process and service commercialization.

Examples include:

- Founding member of IVADO (Institute for Data Valorization)
- Operational Research Chair at École Polytechnique de Montréal
- Healthcare partnership with Université de Montréal

## Women in Engineering Chair at University of Ottawa

We continue to advocate for more women in engineering through professional networking, training and employment at CAE and across the industry.

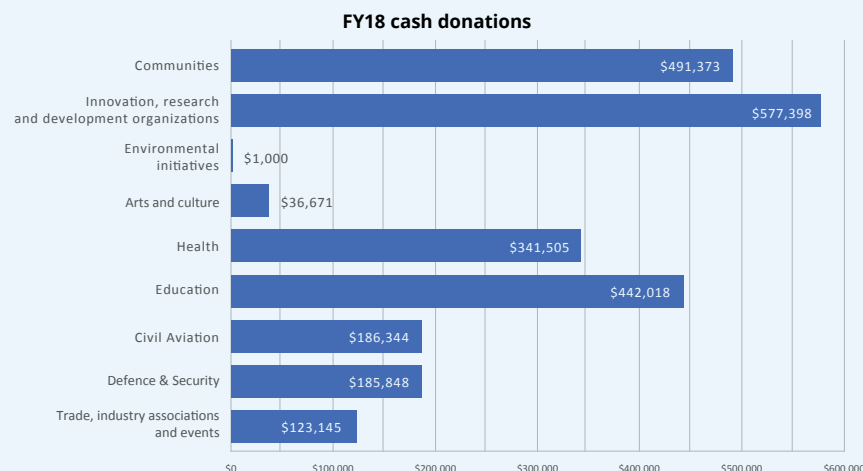
We're donating \$20,000 annually for a period of three years, for a total of \$60,000 toward establishing a fund for the promotion and advancement of girls and women in science and engineering at the University of Ottawa's engineering faculty. The fund will finance activities and initiatives that encourage girls to consider studies and careers in engineering and provide them with positive female role models.

## Kids Code Jeunesse (KCJ)

We're committed to STEM learning in Canada through community outreach. In 2017, we continued to support [KCJ](#) thanks to employee volunteers who dedicate their time to provide coding workshops in elementary schools. We also participate in various STEM education classes and scientific literacy training for children as well as introduce children to existing and emerging technologies as a way to open the door to the possibility of a career in STEM.

## Donations and sponsorships in FY2018

In fiscal 2018, we donated a total of \$13.5 million (cash and in-kind) to local and regional initiatives worldwide.



## Supporting local economies

Through our presence in more than 35 countries around the world, we're helping create economic growth by delivering goods to our customers, jobs for our employees, payments to our suppliers, investments in communities and value to our investors. Here's a snapshot of how we supported local economies in fiscal 2018.

FY18 revenues	
FY18 revenues	\$2,830.0
Total operating costs	\$2,369.0
Salaries and other short-term employment	\$908.2
Corporate income taxes paid	\$36.4
Community investment and charitable donations	\$2.3
In-kind donations	\$11.2

Amounts in millions



## Shrinking our environmental footprint

Our global presence spans 160 sites and training locations in over 35 countries. Our [Environmental Policy](#) and ISO-14001-inspired Environmental Management System (EMS) guide us in managing our environmental impact across these sites and locations. An increase in inter-site communication and best-practice sharing is helping accelerate improvements in our [environmental performance](#).

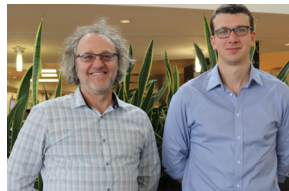
Here's a summary of our top five environmental achievements in fiscal 2018, in line with our objectives:

- For the third consecutive year, we celebrated Earth Day across our sites with a focus this year on sharing water conservation initiatives and best practices.
- At sites where we have operational control over non-hazardous waste and energy, we reduced our:
  - Global electricity consumption by more than 1%
  - Non-hazardous waste disposal by more than 1%
- We held our second annual Global Environment, Health and Safety meeting in Montreal.
- We issued three "Best Practices Guides" for managing energy, waste and water to help sites improve their environmental footprint and meet corporate targets.
- We implemented carpooling at our Montreal headquarters, an environmental initiative submitted as part of our Innovation Challenges campaign, and continue to seek sustainable commuting opportunities.

## Monitoring our environmental performance

In fiscal 2018, we met our electricity and waste reduction targets for the second consecutive year. We reduced both our electricity consumption and our non-hazardous waste disposal by more than 1%.

### Our very own KWh busters!



The KWh Busters from Global Real Estate are determined to equip all our sites with 100% energy-saving LED lighting. They're well on their way to achieving this goal and, in fiscal 2018, played a key role in enabling us to achieve our 1% energy reduction target.

The KWh Busters also joined forces with Global Environment to identify ways to reduce energy consumption when designing new facilities or improving existing ones. With the assistance of our environmental officers and local management, their efforts allowed us to save about \$700,000 in energy costs in fiscal 2018 alone.

### Madrid's paperless initiative and Green Pledge win



In Spain, our Madrid training centre has a number of environmental initiatives underway. One of the centre's goals is to be as paperless as possible. Some of the employee initiatives to help achieve this goal include:

- Having 90% of suppliers send their invoices by email
- Switching to paperless bill payment
- Switching to paperless bank statements (except when paper documents required for storage by legislation)
- Sharing documents and videos onscreen at meetings and presentations to avoid print handouts
- Setting printer/copier default to double-sided printing
- Replacing faxes with an app that converts incoming faxes to PDFs and emails or files them for the user
- Reducing the physical space used to store documents

## Reporting

Environmental performance reports are presented to the Board of Directors on a quarterly basis. Every site manager is responsible for tracking performance against environmental targets as well as for compliance with local environmental regulations and requirements.

## Training our leaders on environmental issues

All company executives, group leaders and environmental officers must participate in our corporate environmental awareness program. The program explains the basic elements of good environmental management principles, the environmental responsibilities of all employees and the actions to be taken in the event of an environmental emergency. Environmental training programs are also developed on an ad-hoc basis and made available to all employees through our intranet.

## Growing employee engagement

Across CAE, we're increasingly sharing best practices and initiatives that cover all our environmental aspects, including energy efficiency and waste reduction. Enviro-News, our global internal environmental newsletter, is sent monthly and provides updates on best practices and initiatives taking place across the company. This communication tool enables us to share corrective actions and stimulate continuous improvement. Regular quarterly conference calls with the sites also help us learn from each other.



## Family Day

During Family Day in Montreal, we presented our global environmental initiatives to employees and their families. We also held a contest to get people to guess the weight of a bag full of recycled products.



## Every day is Earth Day!

In keeping with the environmental initiatives it established on Earth Day, our Seoul site decided to go the extra mile by installing a wall of plants in its lobby with the slogan "Every day is Earth Day."



## #CAEmoments

On April 19, 2018, we combined Earth Day with our new monthly initiative CAEmoments, inspiring employees from around the world to share pictures of their environmental actions both at work and home.



## Environmental protection

To improve its waste disposal, our Sao Paulo site (Guarulhos) built a recycling station to collect and recycle electronic components, paper, oily rags, lights and bulbs.



## Carpooling: Are you on board?

To support our new carpooling initiative, we launched an advertising campaign "Are you on board?" to help Montreal employees carpool together. To date, more than 450 employees have registered for carpooling. Other existing initiatives, such as electric vehicle charging stations, reserved parking spaces for carpoolers, financial support to offset public transit costs and our Bike-to-Work club, are also helping employees find more environmentally friendly ways to commute to work.



## Promoting solar energy

Whenever possible, we encourage the use of energy-saving equipment and processes. We're also using solar panels in our Dubai (United Arab Emirates) site.

# Appendix

# Site certifications

## ISO 9001:2015 - Quality management systems – Requirements

### CAE Montreal Headquarters

8585 Côte-de-Liesse, Saint-Laurent, Quebec, Canada, H4T 1G6

*Scope: Design, manufacture, service and maintenance of simulation products and training solutions.*

400 Montée-de-Liesse, Saint-Laurent, Quebec, Canada, H4T 1N8

*Scope: Storage, handling and warehousing.*

105 Montée-de-Liesse, Saint-Laurent, Quebec, Canada, H4T 1S6

*Scope: Assembly and test of simulation products. Storage, handling and warehousing.*

### CAE Ottawa

350 Legget Drive, 2nd floor, Ottawa, Ontario, Canada, K2K 2W7

*Scope: Provide software development, systems engineering, system integration, ISS, operational systems, enterprise training and consulting services for the entire system lifecycle, including integrated logistics support. This also includes aircrew training (including computer-based training), egress training, aircraft maintenance repair and overhaul, aircraft engineering support and technical management, Training Centre Operations, and simulation products maintenance for defence, aerospace, healthcare and public safety applications.*

### CAE Moose Jaw

15 Wing Moose Jaw, P.O. Box 30, Bushell Park, Saskatchewan, Canada, S0H 0N0

*Scope: Maintain and service flight training devices; provide supply support and provisioning; provide onsite hardware/software support; provide data and records management.*

### CAE Cold Lake

4 Wing - Cold Lake, P.O. Box 4999, Station Forces, Cold Lake, Alberta, Canada, T9M 2C2

*Scope: Maintain and service flight training devices; provide supply support and provisioning; provide onsite hardware/software support; provide data and records management.*

### CAE Greenwood

404 Squadron, Building 250, 14 Wing Greenwood, Greenwood, Nova Scotia, Canada, B0P 1N0

*Scope: Maintain and service flight training devices; provide supply support and provisioning; provide onsite hardware/software support; provide data and records management.*

### CAE Gagetown

403 Squadron, Building L24, 403 Squadron, CFB Gagetown, Oromocto, New Brunswick, Canada, E2V 4J5

*Scope: Maintain and service flight training devices; provide supply support and provisioning; provide onsite hardware/software support; provide data and records management.*

### CAE Halifax

36 Solutions Drive, Suite 200, Halifax, Nova Scotia, Canada, B3S 1N2

*Scope: Provide software development, systems engineering, systems integration, in-service support, operational systems, enterprise training and consulting services for defence, aerospace, public safety and security applications.*

### CAE Mirabel

10000 Helen-Bristol Street, Mirabel, Quebec, Canada, J7N 1H3

*Scope: Provide capacity-service support for the entire system lifecycle including systems engineering and software and integrated logistic support.*

### CAE Trenton

426 Squadron, 20 Buffalo Avenue, 8 Wing Trenton, Astra, Ontario, Canada, K0K 3W0

*Scope: Maintain and service flight training devices; provide supply support and provisioning; provide onsite hardware/software support; provide data and records management.*

46 Yukon Avenue, 8 Wing Trenton, Astra, Ontario, Canada, K0K 3W0

*Scope: Repair and maintain flight simulators, aircraft maintenance training devices and associated training equipment; provide onsite hardware/software support; manage spares and inventory; coordinate and schedule training time; provide aircrew training services; develop and maintain courseware and training documentation; provide data and records management.*

### CAE Petawawa

450 Tactical Helicopter Squadron, Building CC12C8, 450 Mattawa Trail, Garrison Petawawa, Petawawa, Ontario, Canada, K8H 2X3

*Scope: Repair and maintain flight simulators and associated training equipment; provide onsite hardware/software support; manage spares and inventory; coordinate and schedule training time; provide aircrew training services; develop and maintain courseware and training documentation; provide data and records management.*

### CAE Military Aviation Training

NATO Flight Training in Canada (NFTC), Colonel O.B. Philp Complex, Building 160, PO Box 120, Bushell Park, Saskatchewan, Canada, S0H 0N0

*Scope: Provide ground school training, aircraft maintenance repair and overhaul, engineering support and technical management activities.*

NATO Flight Training in Canada (NFTC), Building H10, Cold Lake, Alberta, Canada, T9M 2C5

*Scope: Provide egress training and aircraft maintenance.*

### CAE India Private Limited

1st Floor, Survey No. 26 & 27, Bandaramanahalli Village, Uganavadi Post, Devanahalli Taluk, Bangalore - 562 110, Karnataka, India

*Scope: Provide analysis, design, development, manufacturing, integration, installation, commissioning, maintenance and support of simulators and engineering systems solutions for aerospace, defence and power sectors.*

### CAE USA – Tampa

4908 Tampa West Boulevard, Tampa, Florida, USA, 33634

*Scope: Provide design, integration, testing and installation of simulation devices for military training.*

5411B Pioneer Park Drive, Tampa, Florida, USA, 33634

*Scope: Provide assembly and testing.*

### CAE USA – Orlando

2603 Discovery Drive, Orlando, Florida, USA, 32836

*Scope: Provide assembly and testing.*



#### **CAE USA – Sherwood**

2402 Wildwood Avenue, Suite 501,  
Sherwood, Arkansas, USA

*Scope: Provide analysis, design, development, implementation and evaluation of integrated training solutions.*

#### **CAE USA – Altus**

203 North 6<sup>th</sup> Street, Building 179, Room 154,  
Altus, Oklahoma, USA, 73523

*Scope: Provide simulation device integration, installation, maintenance and training.*

#### **CAE Australia Pty Ltd**

Bankstown Airport, 33 Nancy Ellis Leebold  
Drive, Bankstown, NSW 2200, Australia

*Scope: Provide maintenance support for simulation training devices.*

Swordfish Road, HMAS Albatross, Nowra,  
NSW 2541, Australia

*Scope: Provide maintenance support for simulation training devices; provide training services using simulation training devices.*

Simulator Facility Building, 375 Percival  
Street, RAAF Base Richmond, NSW 2755,  
Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

Unit 40, Slough Avenue, Silverwater, NSW  
2128, Australia

*Scope: Provide systems engineering and project and program management for simulation training devices; develop growth opportunities within the business.*

76SQN Hawk Simulator Facility Building 868,  
RAAF Base Williamtown, NSW 2314, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

RAAF Base, KC30-A Sim Facility Building, 1123  
F-111 Drive, Amberley, QLD 4306, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

Level 15, 120 Edward Street, Brisbane, QLD  
4000, Australia

*Scope: Provide systems engineering, training services and project management for simulation training devices; develop growth opportunities within the business.*

Building 0808, CH47F Training Centre, RAAF  
Base Townsville, Ingham Road, Garbutt, QLD  
4810, Australia

*Scope: Provide maintenance support for simulation training devices.*

Army Aviation Training Centre, Army Airfield  
Oakey, QLD 4401, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

RAAF Base, Building 398, 292 Squadron AFS,  
Edinburgh, SA 5111, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

CAE Sale Training Centre, Lot 16, Wellington  
Park Way, Sale, VIC 3850, Australia

*Scope: Provide maintenance support for simulation training devices.*

79 SQN Simulator, Building A0989, RAAF Base  
Pearce, Bullsbrook, WA 6084, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

#### **CAE New Zealand Pty Ltd**

Seasprite Simulator 6 Squadron HQ, RNZAF  
Base Auckland, Tainui Street, Whenuapai,  
Auckland, 0618, New Zealand

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

14 SQN Training Centre, Kororareka Ave,  
Ohakea, 4816, New Zealand

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

#### **CAE Kuala Lumpur, Malaysia**

Lot PT25B, Jalan S5, Southern Support Zone,  
KLIA, 64000, Sepang, Selangor, Malaysia

*Scope: Provide training for commercial pilots, cabin crew, ramp, guest services and aircraft maintenance.*

#### **CAE Germany – Stolberg**

CAE Elektronik GmbH, Steinfurt 11, 52222-D  
Stolberg, Germany

*Scope: Provide operation, development, manufacturing, technical and logistic support for training equipment and synthetic environments, systems and software applications (mainly flight and tactical simulators); provide associated training programs.*

#### **CAE Germany – Bückeburg**

CAE Services GmbH, Bäckerstr. 18, 31683-D  
Obernkirchen, Germany

*Scope: Provide maintenance, support and operation of training equipment and synthetic environments (mainly flight and tactical simulators); provide associated training as required.*

## **AS9100C - Quality management systems - Requirements for aviation, space and defence organizations**

#### **CAE Montreal – Headquarters**

8585 Côte-de-Liesse, Saint-Laurent,  
Quebec, Canada, H4T 1G6

*Scope: Provide design (hardware and software), manufacture, repair and overhaul of the Magnetic Anomaly Detection (MAD)/AIMS equipment.*

## **CMMI-DEV V1.3 - Capability Maturity Model Integration (CMMI) for Development, Version 1.3**

#### **CAE Montreal – Headquarters**

8585 Côte-de-Liesse, Saint-Laurent,  
Quebec, Canada, H4T 1G6

*Scope: Maturity Level 3, Defence and Security.*

#### **CAE Mirabel**

10000 Helen-Bristol Street, Mirabel,  
Quebec, Canada, J7N 1H3

*Scope: Maturity Level 5, Operational Systems and In-Service Support (OS & ISS).*

#### **CAE USA – Tampa**

4908 Tampa West Boulevard, Tampa,  
Florida, USA, 33634

*Scope: Maturity Level 3, Defence and Security.*

#### **CAE Australia Pty Ltd**

Unit 40, Slough Avenue, Silverwater, NSW  
2128, Australia

*Scope: Maturity Level 3, Engineering.*

## CMMI-SVC V1.3 - Capability Maturity Model Integration (CMMI) for Services, Version 1.3

### CAE Montreal Headquarters

8585 Côte-de-Liesse, Saint-Laurent, Quebec, Canada, H4T 1G6

*Scope: Maturity Level 3, Customer Services for Defence and Security.*

### CAE Australia Pty Ltd

Unit 40, Slough Avenue, Silverwater, NSW 2128, Australia

*Scope: Maturity Level 3, Defence and Security - Training Operations (Maintenance).*

### CAE New Zealand Pty Ltd

14 SQN Training Centre, Kororareka Ave., Ohakea, 4816, New Zealand

*Scope: Maturity Level 3, Defence and Security - Training Operations (Maintenance).*

## ISO 14001:2015 - Environmental management systems - Requirements with guidance for use

### CAE Military Aviation Training

NATO Flight Training in Canada (NFTC), Colonel O.B. Philp Complex, Building 160, PO Box 120, Bushell Park, Saskatchewan, Canada, S0H 0N0

*Scope: Provide maintenance of aircraft, ground school training and airfield operations.*

### CAE Australia Pty Ltd

15 Tench Street, Kingston, ACT 2604, Australia

*Scope: Provide systems engineering, maintenance support, project and program management for simulation training devices; provide training services using simulation training devices; develop growth opportunities within the business.*

Bankstown Airport, 33 Nancy Ellis Leebold Drive, Bankstown, NSW 2200, Australia

*Scope: Provide maintenance support for simulation training devices.*

Swordfish Road, HMAS Albatross, Nowra, NSW 2541, Australia

*Scope: Provide maintenance support for simulation training devices; provide training services using simulation training devices.*

Simulator Facility Building, 375 Percival Street, RAAF Base Richmond, NSW 2755, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

Unit 40, Slough Avenue, Silverwater, NSW 2128, Australia

*Scope: Provide systems engineering and project and program management for simulation training devices; develop growth opportunities within the business.*

76SQN Hawk Simulator Facility, Building 868, RAAF Base Williamtown, NSW 2314, Australia

*Scope: Provide engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

RAAF Base, KC30-A Sim Facility Building, 1123 F-111 Drive, Amberley, QLD 4306, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

Level 15, 120 Edward Street, Brisbane, QLD 4000, Australia

*Scope: Provide systems engineering, training services and project management for simulation training devices; develop growth opportunities within the business.*

Building 0808, CH47F Training Centre, RAAF Base Townsville, Ingham Road, Garbutt, QLD 4810, Australia

*Scope: Provide maintenance support for simulation training devices.*

Army Aviation Training Centre, Army Airfield Oakey, QLD 4401, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

RAAF Base, Building 398, 292 Squadron AFS, Edinburgh, SA 5111, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

CAE Sale Training Centre, Lot 16, Wellington Park Way, Sale, VIC 3850, Australia

*Scope: Provide maintenance support for simulation training devices.*

79 SQN Simulator, Building A0989, RAAF Base Pearce, Bullsbrook, WA 6084, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

### CAE New Zealand Ltd

Seasprite Simulator 6 Squadron HQ, RNZAF Base Auckland, Tainui Street, Whenuapai, Auckland 0618, New Zealand

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

14 SQN Training Centre, Kororareka Ave, Ohakea, 4816, New Zealand

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

### CAE United Kingdom

CAE Burgess Hill (UK), Innovation Drive, Burgess Hill, West Sussex, RH15 9TW, United Kingdom

RNAS Culdrose (UK), Building D51, Helston, Cornwall, TR12 7RH, United Kingdom

RAF Brize Norton (UK), 24 Sqn HQ, Carterton, Oxfordshire, OX18 3LX, United Kingdom

CAE Medium Support Helicopter Aircrew Training Facility (UK), RAF Benson, Wallingford, Oxfordshire, OX10 6AA, United Kingdom

## OHSAS 18001:2007 - Occupational health and safety management systems - Requirements

### CAE Military Aviation Training

NATO Flight Training in Canada (NFTC), Colonel O.B. Philp Complex, Building 160, PO Box 120, Bushell Park, Saskatchewan, Canada, S0H 0N0

*Scope: Provide maintenance of aircraft, ground school training and airfield operations.*

## AS/NZS 4801:2001 - Occupational health and safety management systems - Specification with guidance for use

### CAE Australia Pty Ltd

15 Tench Street, Kingston, ACT 2604, Australia

*Scope: Develop growth opportunities within the business.*

Bankstown Airport, 33 Nancy Ellis Leebold Drive, Bankstown, NSW 2200, Australia

*Scope: Provide maintenance support for simulation training devices.*

Swordfish Road, HMAS Albatross, Nowra, NSW 2541, Australia

*Scope: Provide maintenance support for simulation training devices; provide training services using simulation training devices.*

Simulator Facility, Building 375, Percival Street, RAAF Base Richmond, NSW 2755, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

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Level 15, 120 Edward Street, Brisbane, QLD 4000, Australia

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Building 0808, CH47F Training Centre, RAAF Base Townsville, Ingham Road, Garbutt, QLD 4810, Australia

*Scope: Provide maintenance support for simulation training devices.*

Army Aviation Training Centre, Army Airfield Oakey, QLD 4401 Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices; provide training services using simulation training devices.*

RAAF Base, Building 398, 292 Squadron AFS, Edinburgh, SA 5111, Australia

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CAE Sale Training Centre, Lot 16, Wellington Park Way, Sale, VIC 3850, Australia

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79 SQN Simulator, Building A0989, RAAF Base Pearce, Bullsbrook, WA 6084, Australia

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

### CAE New Zealand Pty Ltd

Seasprite Simulator 6 Squadron HQ, RNZAF Base Auckland, Tainui Street, Whenuapai, Auckland, 0618, New Zealand

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

14 SQN Training Centre, Kororareka Ave, Ohakea, 4816, New Zealand

*Scope: Provide systems engineering and maintenance support for simulation training devices.*

# Global Reporting Initiative (GRI) indicators<sup>1</sup>

GRI standards		FY18
<b>GRI 100 – UNIVERSAL STANDARDS</b>		
Organizational profile		
102-1	Name of the organization	page 1
102-2	Activities, brands, products and services	Civil pages 12-15 Defence & Security pages 18-21 Healthcare pages 24-27
102-3	Location of headquarters	page 7
102-4	Location of operations	page 7
102-5	Ownership and legal form	MD&A pages 102-104
102-6	Markets served	pages 6-7
102-7	Scale of organization	pages 6-7
102-8	Information on employees and other workers	See GRI standard 401-1
102-12	External initiatives	page 52
Strategy		
102-14	Statement from senior decision-maker	page 4
102-15	Key impacts, risks and opportunities	MD&A pages 35-41
Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	page 5
102-17	Mechanisms for advice and concerns about ethics	page 45
Governance		
102-18	Governance structure	page 34
102-19	Delegating authority	page 34
102-20	Executive-level responsibility for economic, environmental and social topics	page 34
102-21	Consulting stakeholders on economic, environmental and social topics	page 34

<sup>1</sup> Our GRI tables include only FY18 results, as we developed a new roadmap and adjusted our indicators to the new GRI standards. Results from previous fiscal years are available in our [FY17 Annual Activity and Social Responsibility Report](#).



GRI standards		FY18
<b>GRI 100 – UNIVERSAL STANDARDS</b>		
102-26	Role of highest governance body in setting purpose, values and strategy	pages 30-31
102-31	Review of economic, environmental and social topics	page 34
102-32	Highest governance body's role in sustainability reporting	page 34
102-35	Remuneration policies	<a href="#">See Proxy Circular - Section 7 Executive compensation</a>
102-36	Process for determining remuneration	<a href="#">See Proxy Circular - Section 7 Executive compensation</a>
102-37	Stakeholders' involvement in remuneration	<a href="#">See Proxy Circular - Section 7 Executive compensation</a>
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	page 33
102-41	Collective bargaining agreements	43
102-41	Percentage of employees covered by collective agreements	16%
<b>Reporting practices</b>		
102-46	Defining report content and topic boundaries	pages 33-34
102-47	List of material topics	page 34
102-49	Changes in reporting	pages 33-34
102-50	Reporting period	page 2
102-52	Reporting cycle	page 2
102-53	Contact point for questions regarding the report	page 2
102-54	Claims of reporting in accordance with GRI standards	page 2
102-55	GRI content index	page 60
<b>Management approach</b>		
103-2	Management approach and its components	People and safety pages 35-41 Ethics and integrity pages 42-45 Innovation and customer experience pages 46-49 Community and environment pages 50-54

GRI standards		FY18
<b>GRI 200 – ECONOMIC TOPICS</b>		
Economic performance		
201-1	Direct economic value generated and distributed	
	Direct economic value generated (\$M)	2,830.0
	Cost of sales (\$M)	1,953.1
	Research & development expenses (\$M)	182.7
	Selling, general & administration expenses (\$M)	380.8
	Finance expenses - net (\$M)	76.2
	Income tax expenses (\$M)	29.1
	Economic value retained (\$M)	275.9
201-2	Financial implications and other risks and opportunities due to climate change	<a href="#">MD&amp;A page 38</a>
Market presence		
201-3	Defined benefit plan obligations and other retirement plans (\$M)	200.6
201-4	Financial assistance received from government (\$M)	29
202-2	Proportion of senior management hired from the local community <sup>1</sup>	
	Canada	99%
	US	79%
	Other	92%
	Overall	94%
Procurement practices		
204-1	Proportion of spending on local suppliers	
	Australia	77%
	Asia	78%
	Europe	47%
	Middle East	83%
	North America	63%
	South America	80%
Anti-competitive behaviour		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	0

<sup>1</sup> Director and up, citizenship in the country in which they work

GRI standards		FY18
<b>GRI 300 – ENVIRONMENTAL TOPICS</b>		
<b>Energy</b>		
302-1	Energy consumption within the organization (MWh)	272,223 <sup>1</sup>
	Natural gas (MWh)	16,051 <sup>1</sup>
	Electricity (MWh)	182,930 <sup>1</sup>
	Diesel, heating oil, propane, fuel for aircraft and cars, hot and chilled water (MWh)	73,242 <sup>1</sup>
302-3	Energy intensity (MWh/\$million revenue)	96.19
<b>Water<sup>2</sup></b>		
303-1	Water withdrawal by source (m <sup>3</sup> )	4,756,976
<b>Emissions</b>		
305-1	Direct (Scope 1) GHG emissions (tCO <sub>2</sub> e)	24,022 <sup>3</sup>
305-2	Energy indirect (Scope 2) GHG emissions	
	GHG emissions (Scope 1 and 2 location based) (tCO <sub>2</sub> e)	83,232
	GHG emissions (Scope 1 and 2 market based) (tCO <sub>2</sub> e)	88,743
<b>Effluents and waste</b>		
306-2	Waste by type and disposal method (Montreal only)	
	Waste generated absolute (tonnes)	1,603
	Total weight of hazardous waste (tonnes)	62
	Total weight of non-hazardous waste (tonnes)	1,541
	Non-hazardous waste recycled (%)	86 <sup>4</sup>
<b>Environmental compliance</b>		
307-1	Non-compliance with environmental laws and regulations	No significant fine

<sup>1</sup> Conversion rates vary for each country and province. Estimates were done for sites for which information was not yet available based on data from sites with the same type of activities.

<sup>2</sup> For sites where we have operational control of the building.

<sup>3</sup> Opening our new training centre in Dothan increased jet-fuel consumption.

<sup>4</sup> Includes composting.

GRI standards		FY18
GRI 400 – SOCIAL TOPICS		
Employment		
401-1	New employee hires and employee turnover	
	<b>Total employees</b>	<b>8,704</b>
	Total number of employees CAE	7,973
	Total number of employees in our joint ventures	731
	<b>Employees by gender</b>	
	Number of employees (female)	1,701
	Number of employees (male)	6,272
	% of female employees	21%
	% of male employees	79%
	<b>Employees covered by collective bargaining agreements</b>	
	Number of employees	1,700
	% of employees	21%
	Number of non-unionized employees	6,273
	<b>Employees by contract</b>	
	Number of employees (permanent)	7,800
	Number of employees (part-time)	173
	Number of employees (temporary)	1,197
	<b>New employee hires</b>	
	Total number of new employee hires	1,246
	New employee hire rate (% of total employees)	16%
	<b>Age group</b>	
	New employee hires below 30 years old	340
	New employee hires 30-50 years old	605
	% new employee hires 30-50 years old	49%
	<b>Contractors</b>	
	Number of contractors	2,359



GRI standards		FY18
<b>GRI 400 – SOCIAL TOPICS</b>		
	<b>Employee turnover number</b>	<b>636</b>
	Employee turnover rate (% of total employees)	8%
	<b>Age group</b>	
	Employee turnover below 30 years old	137
	% employee turnover below 30 years old	14%
	Employee turnover 30-50 years old	351
	% employee turnover 30-50 years old	9%
	Employee turnover above 50 years old	39
	% employee turnover above 50 years old	1%
	<b>Gender</b>	
	Employee turnover for women	147
	% employee turnover for women	9%
	Employee turnover for men	489
	% employee turnover for men	8%
<b>Occupational health and safety</b>		
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities <sup>1</sup>	3 most frequent types: Slips/trips/falls 33% Struck by/on 23% In contact with 20%
	Incident Frequency Rate (IFR) <sup>1</sup>	0.39
	Days Lost Rate (DLR) <sup>1</sup>	1.35
	Lost Time Injury Frequency Rate (LTIFR) <sup>1</sup>	0.16
	Near Miss Rate (NMR) <sup>1</sup>	1.21
	Work-related fatalities	1
<b>Training and education</b>		
404-3	Percentage of employees receiving regular performance and career development reviews	77% <sup>2</sup>
<b>Diversity and equal opportunity</b>		
405-1	Diversity of governance bodies and employees	18%

<sup>1</sup> Per 200,000 hours worked

<sup>2</sup> Based on Performance Feedback and Development Plan

GRI standards		FY18
<b>GRI 400 – SOCIAL TOPICS</b>		
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	<a href="#">page 45</a>
Public policy		
415-1	Political contributions	0
Marketing and labelling		
417-1	Requirements for product and service information and labelling	<a href="#">Conflict minerals page 44</a>
417-2	Incidents of non-compliance concerning product and service information and labelling	0
417-3	Incidents of non-compliance concerning marketing communications	0
Customer privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	0
Socio-economic compliance		
419-1	Non-compliance with laws and regulations related to socio-economic matters	0

# Non-GRI indicators

GRI standards		FY18
<b>ETHICS AND INTEGRITY</b>		
Non-discrimination		
	Number of foreign agents we hire	<a href="#">page 43</a>
	Report on training completion and Code of Business Conduct acknowledgement completion	<a href="#">page 43, page 45</a>
<b>PEOPLE AND SAFETY</b>		
Flight safety		
	Number of voluntary reports (per 10K flight hours)	70.0
	Number of incidents >\$50K in damage (per 10K flight hours)	0.39
	Live flight aviation safety reviews - external	1
	Live flight aviation safety reviews - internal (per training location)	1
People		
	Internal promotion vs external hires	78% internal promotion vs 22% new hires <sup>1</sup>
	Number of internships	214
	Diversity mentorship program	Our Professional Women's Network group has a mentorship program for women. In FY18, 7 employees took part in this program.
	Initiatives for talent development	9 major initiatives including training sessions
	% of students hired into a full-time position following a CAE co-op experience	9% <sup>2</sup>
<b>INNOVATION AND CUSTOMER EXPERIENCE</b>		
	Investments in research & development (\$M)	182.7
	Number of patents requested	20
	Number of patents obtained	51
	Customer satisfaction: for on-time delivery (RFT on-time), product quality, etc. (survey – Civil and D&S)	<a href="#">page 47</a>
<b>COMMUNITY AND ENVIRONMENT</b>		
	Renewable energy programs and targets	<a href="#">page 50</a>
	Charitable donations and sponsorships	<a href="#">page 52</a>

<sup>1</sup> Based on management level

<sup>2</sup> Number of co-op students hired as regular employees vs total number of co-op students during fiscal year

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