CAE

#TRAINING MATTERS

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS AND 2015 MANAGEMENT PROXY CIRCULAR

LETTER TO THE SHAREHOLDERS FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Dear fellow Shareholders,

It is our pleasure to invite you to attend CAE's 2015 Annual and Special Shareholder meeting (the **"Meeting"**). As in prior years, we will meet to consider important matters affecting our Company. Whether or not you plan to attend the Meeting, we encourage you to review the enclosed information, consider the resolutions put forth by the Board and vote your Shares.

As a Shareholder, you have the right to vote your Shares on all items that come before the Meeting including the election of Directors, the appointment of the auditors and the advisory vote on executive compensation. Your vote is important to us and we encourage you to exercise your right either in person at the Meeting or by proxy.

This Circular also gives you details about all the items for consideration and how to vote. It also contains information about the nominated Directors, the auditors, reports from the various committees of the Board and CAE's corporate governance practices.

At the Meeting, we will as always review our financial position, including the increased value we are delivering to Shareholders, and our business operations. We will also respond to your comments and questions.

Finally, we want to thank you for your continued confidence in and support of CAE and we remain committed to delivering world-class performance and creating long-term value for our Shareholders. We look forward to seeing you at this year's Meeting.

James F. Hankinson (signed)
Chairman of the Board

Marc Parent (signed)
President and
Chief Executive Officer

June 11, 2015

PROXY CIRCULAR SUMMARY

This summary highlights some of the important information you will find in this Management Proxy Circular (the **"Circular"**). These highlights do not contain all the information that you should consider, and **you should read this entire Circular before voting your Shares**.

SHAREHOLDER VOTING MATTERS

Voting matter	Board Vote Recommendation	Page reference for more information
Election of 11 Directors	FOR each nominee	7
Appointing PricewaterhouseCoopers LLP as Auditors	FOR	9
Advisory Vote on Executive Compensation	FOR	10
Approval of By-Laws Amendments	FOR	11
Approval of Shareholders' Rights Plan	FOR	11

OUR DIRECTOR NOMINEES

	Age	Director Since	Position	Independent	Committee Memberships[1]	Board and Committee Attendance (with ad hoc) FY2015	Other Public Boards	Top Three Competencies
Brian E. Barents	71	2005	Corporate Director	YES	HRC GC	95%	3	▪ Knowledge of industry ▪ Strategic leadership and management ▪ Human Resources
Margaret S. (Peg) Billson	53	2015	President & CEO, BBA Aviation – Aftermarket Services	YES		N/A	N/A	▪ Knowledge of industry ▪ Strategic leadership and management ▪ Human Resources
Michael M. Fortier	53	2010	Vice-Chairman, RBC Capital Markets	YES	GC	100%	1	▪ Strategic leadership and management ▪ Finance/Accounting ▪ Governance/Board
Paul Gagné	68	2005	Corporate Director	YES	HRC (Chair) Audit	100%	3	▪ Strategic leadership and management ▪ Finance/Accounting ▪ Human Resources
James F. Hankinson	71	1995	Corporate Director	YES		100%	N/A	▪ Strategic leadership and management ▪ Finance/Accounting ▪ Governance/Board
Alan N. MacGibbon	59	2015	Vice-Chair, Osler, Hoskin & Harcourt LLP	YES	Audit	N/A	1	▪ Finance/Accounting ▪ Human Resources ▪ Strategic leadership and management
John P. Manley	65	2008	President and CEO, Canadian Council, Chief Executives	YES	GC (Chair) HRC	100%	2	▪ Finance/Accounting ▪ Human Resources ▪ Governance/Board
Marc Parent	54	2008	CEO, CAE	NO		100%	N/A	▪ Knowledge of industry ▪ Strategic leadership and management ▪ Human Resources ▪ R&D
Peter J. Schoomaker	69	2009	Consultant on Defense Matters	YES	GC HRC	100%	1	▪ Knowledge of industry ▪ Strategic leadership and management ▪ Human Resources
Andrew J. Stevens	58	2013	Corporate Director	YES	Audit HRC	87.5%	2	▪ Strategic leadership and management ▪ Knowledge of industry ▪ Governance/Board
Katharine B. Stevenson	52	2007	Corporate Director	YES	Audit (Chair)	100%	3	▪ Strategic leadership and management ▪ Finance/Accounting ▪ Governance/Board

[1] Refer to page 1 for definitions.

PROXY CIRCULAR SUMMARY

2015 PERFORMANCE HIGHLIGHTS

RECORD REVENUE	FLIGHT SIMULATORS SOLD	BOOK-TO-SALES	TOTAL ANNUAL SHAREHOLDER RETURN
$2.3B	41	1.05 – WITH RECORD BACKLOG	3.5%

2015 EXECUTIVE COMPENSATION HIGHLIGHTS

- Executive bonuses based on 75% of financial targets achieved, as well as personal objectives, reflect CAE's profitability performance in FY2015
- 62% vesting on the RSU tranches vesting in FY2015 reflect CAE's relative performance against its competitors on shareholder return

Other executive compensation best practices

Caps on annual bonuses	✓
50% of FY2015 LTIP awards vest based on absolute performance measures	✓
Pensionable earnings based on actual years served (plus any severance period in certain circumstances)	✓
Change of control severance limited to 2 times salary and bonuses	✓
Clawback policy	✓
Minimum share ownership and option profit retention guidelines	✓
Anti-hedging policy	✓

PROXY CIRCULAR SUMMARY

GOVERNANCE HIGHLIGHTS

The following table shows some of the ways CAE continues to adhere to the highest standards in corporate governance it has maintained throughout its more than 65-year history.

Number of Director nominees	11
Number of non-management Independent Director nominees	10
Board Committee members are all Independent	✓
Average age of Director nominees	61.2
Annual election of Directors	✓
Directors elected individually (rather than slate voting)	✓
Majority voting guidelines for Directors	✓
Board interlock guidelines adopted	✓
Separate Chair and CEO	✓
Director tenure and age term limits	✓
Share ownership requirements for Directors and executives	✓
Board orientation/education Program	✓
Number of Board meetings held in FY2015	12
Number of financial experts on the Audit Committee	3
Code of Business Conduct	✓
Annual advisory vote on executive compensation	✓
Formal Board & committee evaluation processes	✓
No dual-class shares	✓

PROXY CIRCULAR SUMMARY

VOTING BY PROXY IS THE EASIEST WAY

Please refer to the enclosed form of proxy or your voting instruction form or to Section 1 entitled "**About Voting Your Shares**" for more information on the voting methods available to you. **If you elect to vote on the Internet, by telephone or in person at the Meeting, you do not need to return your proxy form or voting instructions.**

REVIEW THIS PROXY CIRCULAR AND VOTE IN ONE OF FOUR WAYS

IN PERSON

VIA THE INTERNET

BY TELEPHONE

BY MAIL

TABLE OF CONTENTS

DEFINITIONS

Certain Defined Terms

In this document, referred to as this "Circular", the terms "you" and "your" refer to the Shareholder, while "we", "us", "our" and CAE refer to CAE Inc. and where applicable, its subsidiaries. In this Circular, a reference to "fiscal year" is a reference to the fiscal or financial year from April 1 to March of the year stated.

We also use the following defined terms throughout this Circular (including Appendix A to this Circular.

Audit Committee The Audit Committee of our Board of Directors

Board Our Board of Directors

BoC The Bank of Canada

$ Canadian dollars

Circular This Management Proxy Circular

Common Shares or Shares Refers to the number of Common Shares of CAE that are benefically owned, or over which control or direction is exercised by a person.

CSA Canadian Securities Administrators

DSU Refers to the number of Deferred Share Units of CAE held by an executive or Director of CAE. The value of a DSU is equivalent to the value of a Share.

FY Refers to a financial year of CAE, from April 1 to March 31 of the following calendar year. For example, FY2015 refers to the 12 months ended March 31, 2015.

FY2010 RSU Refers to the number of performance-based Restricted Share Unit of CAE held by an executive under the Fiscal 2010 Restricted Share Unit Plan. The value of a FY2010 RSU is equivalent to the value of a Share.

Governance Committee or GC The Governance Committee of our Board

Human Resources Committee or HRC The Human Resources Committee of our Board

Independent Directors Refers to the standards of independence established by CAE's Corporate Governance Guidelines, applicable corporate governance rules of the New York Stock Exchange and SEC, and under the Canadian Securities Administrators' National Instrument, 58-101 – Disclosure of Corporate Governance Practices and National Policy 58-201.

DEFINITIONS

LTIP	Long-term incentive program
LTU	Refers to a Long-Term Incentive Deferred Share Unit. The value of a LTU is equivalent to the value of a Share
MD&A	Refers the Management Discussion and Analysis section of CAE's annual report for the Year ended March 31 2015
Meeting	The Annual and Special Meeting of CAE Shareholders to be held on August 12, 2015
NYSE	The New York Stock Exchange
PSU	Refers to the number of Performance Share Units of CAE held by an executive of CAE. The value of a PSU is equivalent to the value of a Share.
PwC	PricewaterhouseCoopers LLP, Chartered Professional Accountants in Montréal, Québec
Record Date	June 15, 2015
RSU (or time-RSU)	Refers to the number of time-based Restricted Share Units of CAE held by an executive of CAE. The value of a RSU is equivalent to the value of a Share.
SOX	The Sarbanes-Oxley Act of 2002
TSX	The Toronto Stock Exchange

Currency, Exchange Rates and Share Prices

All amounts referred to in this Circular are presented in Canadian dollars, unless otherwise stated. In a number of instances in this Circular, including with respect to calculation of the in-the-money value of stock options denominated in Canadian dollars, information based on our Share price has been calculated on the basis of the Canadian dollar.

Information Currency

The information in this Circular is current as of June 10, 2015 unless otherwise stated.

NOTICE OF 2015 ANNUAL AND SPECIAL SHAREHOLDERS' MEETING

WHEN

Wednesday, August 12, 2015 at 11:00 a.m. (Eastern Time)

WHERE

Sofitel Montréal Le Carré Doré - 1155 Sherbrooke West, Montréal (Québec)

WHAT THE MEETING IS ABOUT

1. Receive CAE Consolidated Financial Statements and the independent auditor's report for the fiscal year ended March 31, 2015
2. Elect Directors who will serve until the end of the next annual Shareholders' meeting
3. Reappoint PricewaterhouseCoopers LLP as our independent auditor who will serve until the end of the next annual Shareholders' meeting and authorize the Audit Committee to fix the independent auditor's remuneration
4. Vote, in an advisory, non-binding manner, on CAE's approach to executive compensation described in the accompanying Circular
5. Approve certain changes to CAE's by-laws proposed to improve CAE's corporate governance practices
6. Considering and approve a resolution (see ''Special Business of the Meeting – Renewal of Shareholder Protection Rights Plan'' below) renewing the shareholder protection rights plan agreement, a summary of which is set out in Appendix C attached
7. Transact any other business that may properly come before the Meeting

YOU HAVE THE RIGHT TO VOTE

As a holder of record of CAE Common Shares at the close of business on June 15, 2015, you are entitled to receive notice of and vote at the Meeting.

You are asked to consider and to vote your Shares on items two to four listed above and any other items that may properly come before the Meeting or any adjournment.

If you are unable to attend the Meeting and want to ensure that your Shares are voted, please submit your votes by proxy as described under **"How to Vote Your Shares"** in the accompanying Management Proxy Circular ("**the Circular**"). To be valid, our transfer agent, Computershare Trust Company of Canada, must receive your proxy by 11:00 a.m. (Eastern Time) on August 11, 2015. If the Meeting is adjourned or postponed, Computershare must receive your proxy no later than 24 hours (excluding Saturdays, Sundays and holidays) prior to any such adjournment or postponement.

Accompanying this Notice of Annual and Special Meeting is CAE's Circular, which contains more information on the matters to be addressed at the Meeting.

By order of the Board of Directors

June 11, 2015
Montreal, Quebec

HARTLAND J. A. PATERSON
General Counsel, Chief Compliance Officer & Secretary

SECTION 1
ABOUT VOTING YOUR SHARES

RECORD DATE

June 15, 2015 is the record date for the Meeting.

SHAREHOLDERS ENTITLED TO VOTE

Only holders of our Common Shares at the close of business on the Record Date are entitled to receive notice of and to attend (in person or by proxy) and vote at the Meeting or any adjournment. The list of Shareholders on the Record Date is available for inspection during usual business hours at Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, and at the Meeting.

SHARES AND VOTES

As of June 10, 2015, 268,048,539 CAE Common Shares are issued and outstanding. Each CAE Common Share is entitled to one vote.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Directors and officers of CAE (from records and publicly filed reports), there is no person who beneficially owns or exercises control or direction over more than 10% of the Common Shares.

All CAE Directors and executive officers as a group (18 persons) owned beneficially or exercised control or direction over 322,535 Common Shares representing approximately 0.12% of the class as at June 10, 2015.

YOUR VOTE IS IMPORTANT

Your vote is important. Please read the information below to ensure your Shares are properly voted.

HOW TO VOTE YOUR SHARES

You may vote your Shares in one of the following ways (refer to Section 1 entitled **"About Voting Your Shares"**):

1. In person, at the Meeting:
   - in such case, you do not need to complete and return the enclosed form of proxy. When you arrive at the Meeting, a Computershare representative will register your attendance before you enter the Meeting
2. By proxy:
   - by mail: sign, date and return your proxy form in the enclosed envelope
   - by telephone: call the telephone number on your proxy form
   - on the Internet: visit the web site listed on your proxy form
   - by appointing another person to attend and vote at the Meeting on your behalf

Refer to the enclosed proxy form for instructions.

SECTION 1
ABOUT VOTING YOUR SHARES

APPOINTMENT OF PROXYHOLDER

If you choose to vote by proxy, you are giving the person or people named on your proxy form (referred to as a **"Proxyholder"**) the authority to vote your Shares on your behalf at the Meeting or any adjournment or postponement thereof.

Proxies are being solicited by management

Through this Management Proxy Circular, **Management is soliciting your proxy in connection with the matters to be addressed at the Meeting** (or any adjournment(s) or postponements(s) thereof) to be held at the time and place and for the purposes set forth in the accompanying **Notice of the Meeting**.

The solicitation will be primarily made by mail but proxies may also be solicited personally by the officers of CAE at nominal cost. The cost of Management's solicitation of proxies will be borne by CAE.

Unless you specify a different proxyholder, the **CAE officers and/or Directors whose names are pre-printed on the enclosed form of proxy (James F. Hankinson, Paul Gagné and Marc Parent) will vote your Shares.**

Proxyholders other than management

Shareholders desiring **to appoint some person other than James F. Hankinson, Paul Gagné and Marc Parent** as their representative at the Meeting may do so either **by inserting such other person's name in the blank space provided or by completing another proper proxy form** and, in either case, delivering the completed proxy to CAE's Corporate Secretary at 8585 Côte-de-Liesse, Saint-Laurent, Quebec, H4T 1G6 or to Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 **no later than 11:00 a.m. (Eastern Time) on August 11, 2015** (or, in the case of an adjournment or postponement, no later than 11:00 a.m. (Eastern Time) on the last business day preceding the day of such adjournment or postponement thereof).

VOTING OF PROXIES

You may indicate on the proxy form how you want your proxyholder to vote your Shares, or you can let your proxyholder decide for you. If you do not specify on the proxy form how you want your Shares to be voted, your proxyholder will have the discretion to vote your Shares as they see fit.

The enclosed proxy form gives the proxyholder discretion with respect to any amendments or changes to matters described in the Notice of Annual and Special Meeting and with respect to any other matters which may properly come before the Meeting (including any adjournment or postponement thereof).

At the time of printing this Circular, the management of CAE knows of no such amendments, variations or other matters to come before the Meeting.

SECTION 1
ABOUT VOTING YOUR SHARES

Unless you specify a different proxyholder or specify how you want your Shares to be voted, **James F. Hankinson, Paul Gagné and Marc Parent** will vote your Shares:

a) **FOR** electing the nominated Directors who are listed in this Circular;

b) **FOR** appointing PricewaterhouseCoopers LLP as auditors and for the authorization of the Directors to fix their remuneration;

c) **FOR** approving the advisory resolution on executive compensation;

d) **FOR** approving the by-laws amendments; and

e) **FOR** approving the renewal of the Shareholders' Rights Plan.

REVOCATION OF PROXIES

You have the right to revoke a proxy by ANY of the following methods:

a) Vote again by phone or Internet no later than 11:00 a.m. (Eastern time) on August 11, 2015 (or no later than 11:00 a.m. on the last business day prior to the date of any adjourned or postponed Meeting);

b) Deliver another completed and signed proxy form, dated later than the first proxy form, by mail or fax such that it is received by CAE's Corporate Secretary at 8585 Côte-de-Liesse, Saint-Laurent, Quebec, H4T 1G6 or by Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 no later than 11:00 a.m. (Eastern time) on August 11, 2015 (or no later than 11:00 a.m. on the last business day prior to the date of any adjourned or postponed Meeting); or

c) Deliver a signed written notice revoking the proxy to the scrutineers of the Meeting, to the attention of the Meeting Chair, at or prior to the commencement of the Meeting (including in the case of any adjournment or postponement of the Meeting).

ELECTRONIC ACCESS TO PROXY-RELATED MATERIALS AND ANNUAL AND QUARTERLY REPORTS

We offer our Shareholders the opportunity to view Management Proxy Circulars, annual reports and quarterly reports through the Internet instead of receiving paper copies in the mail.

If you are a registered Shareholder you can choose this option by following the instructions on your proxy form.

If you hold your Common Shares through an intermediary (such as a bank or broker), **please refer to the information provided by the intermediary on how to choose to view our management proxy circulars, annual reports and quarterly reports through the Internet.**

SECTION 2
BUSINESS OF THE MEETING

1 RECEIVE CAE'S FINANCIAL STATEMENTS

CAE's financial statements including the auditor's report, for the year ended on March 31, 2015 will be presented to Shareholders at the Meeting. The financial statements are included in our 2015 annual report mailed to our Shareholders with this Circular. They can also be accessed on CAE's website at www.cae.com, on SEDAR at www.sedar.com, or on EDGAR at www.sec.gov. **No Shareholder vote is required in connection with the financial statements.**

2 ELECT 11 DIRECTORS

11	91%[1]	1	98%	98%
NOMINEES	INDEPENDENT	INTERLOCK	% VOTES FOR IN 2014	AVERAGE BOARD MEETING ATTENDANCE IN FY2015

[1] The only non-independent Director is CAE's CEO.

You will be electing a board of directors (**"Board of Directors"**) of 11 members. Each Director is elected annually for a term, which expires no later than the next annual meeting of Shareholders.

The following nominees, all of whom are currently members of the Board of Directors, have been recommended by the GC and the Board for election at the Meeting:

- Brian E. Barents
- Margaret S. (Peg) Billson
- The Honorable Michael M. Fortier, P.C.
- Paul Gagné
- James F. Hankinson
- Alan N. MacGibbon
- The Honorable John P. Manley, P.C., O.C
- Marc Parent.
- Gen. Peter J. Schoomaker, USA (Ret.)
- Andrew J. Stevens
- Katharine B. Stevenson

Each nominee was elected at our 2014 annual Shareholders' meeting held on August 13, 2014, by a majority of the votes cast, except for (i) Mr. MacGibbon, who joined the Board on May 26, 2015, and (ii) Mrs. Billson, who is a first time nominee.

Please refer to Section 3 entitled **"About the Nominated Directors"** for further information regarding the experience, the selection process and other relevant information you should consider in casting your vote for each nominee.

SECTION 2
BUSINESS OF THE MEETING

Self-imposed term and age limits ensure CAE benefits from a combination of experience and fresh perspectives

The CAE Board of Directors has passed a resolution establishing term limits comprising the following:

- up to two six-year periods of service, to aggregate twelve years maximum; and
- no nominee may be proposed past their attaining 72 years of age.

The Board of Directors believes these limits, subject to reasoned exceptions, are appropriate to ensure fresh skill sets and perspectives are periodically brought to the oversight of CAE's business. Mr. James F. Hankinson was exempted by resolution of the Board of Directors from the twelve-year service limit as part of the planned succession for CAE's former Chairman of the Board of Directors in FY2014. The tenure of the Chairman in that role may, with the Board's concurrence, extend for five years from the date of commencement.

Majority voting guidelines

In accordance with the CAE Board's majority voting policy, any nominee for Director in an uncontested election who receives more "withold" votes from his or her election than votes "for" his or her election must promptly tender his or her resignation to the Chairman of the Governance Committee. The Governance Committee will consider the tendered resignation and recommend to the Board whether to accept or reject it. The Board will act following the Governance Committee's recommendation no later than 90 days following the date of the Shareholders' Meeting at which the election occurred. In deciding whether to accept the tendered resignation, the Board will consider the factors considered by the Governance Committee and any additional information and factors the Board believes to be relevant. The Board's decision will be publicly disclosed and if a resignation is rejected under our majority voting policy, the reasons for the rejection will also be disclosed.

If any of the nominees is for any reason unavailable to serve as a Director, proxies in favour of Management will be voted for another nominee, at the proxyholder's discretion, unless the Shareholder has specified in the proxy that his or her Common Shares are to be voted for another nominee or are to be withheld from voting in the election of Directors.

Detailed voting results will be disclosed after the Meeting

Promptly, after the Meeting, we will publicly disclose the number and percentage of votes cast for and withheld in respect of each nominee, as well as those cast for and against each other matter voted on by Shareholders at the Meeting.

The Board of Directors recommends that Shareholders vote **FOR** the election of the 11 nominated members of the Board.

3 APPOINT THE AUDITORS

The Board, on recommendation by the Audit Committee, proposes that PricewaterhouseCoopers LLP, Chartered Accountants, Montreal, Quebec be re-appointed as auditors of CAE to hold office until the close of the next annual meeting of Shareholders and that the Directors of CAE be authorized to fix their remuneration.

PwC has served as auditors of CAE since 1991.

PwC provides three types of services to CAE and its subsidiaries

1. **Audit Services**: fees billed for professional services for the audit of CAE's annual financial statements and services that are normally provided by PwC in connection with statutory and regulatory filings, including the audit of the internal controls and financial reporting as required by the SOX and the equivalent rules adopted by the CSA.
2. **Audit-related Services:** fees relating to work performed in connection with CAE's acquisitions, translation and other miscellaneous accounting-related services.
3. **Tax Services**: fees relating to tax compliance, tax planning and tax advice.

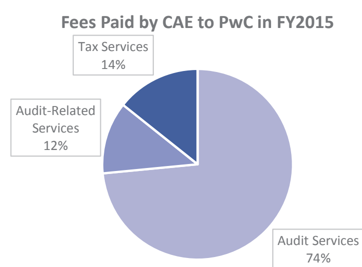
Auditor independence

The Audit Committee has discussed with PwC its independence from Management and CAE, has considered and concluded that the provision of non-audit services is compatible with maintaining such independence.

Furthermore, as per its policy, the Audit Committee reviews and pre-approves all non-audit services provided by the external auditor above a specified level.

The following chart shows all fees paid to PwC by CAE and its subsidiaries in the most recent and prior fiscal year.

FEE TYPE	2015 ($millions)	2014 ($ millions)
1. Audit services	3.6	3.2
2. Audit-related services	0.6	0.2
3. Tax services	0.7	0.9
Total	**4.9**	**4.3**



In order to further support PwC's independence, the Audit Committee has set a policy concerning CAE's hiring of current and former partners and employees of PwC who were engaged on CAE's account in the recent years.

The Board of Directors recommends that Shareholders vote **FOR** the appointment of PWC as CAE's auditors**.**

SECTION 2
BUSINESS OF THE MEETING

4 ADVISORY VOTE ON EXECUTIVE COMPENSATION

As more fully detailed in Section 7 entitled ''**Executive Compensation**", CAE's executive compensation philosophy and programs are based on the fundamental principle of pay-for-performance to align the interests of our executives with those of our Shareholders. This compensation approach allows CAE to attract and retain high-performing executives who are strongly incentivised to create value for CAE's Shareholders on a sustainable basis.

We encourage you to carefully read this section of the Circular which describes our overall approach to executive compensation, the objectives of our executive compensation program, how compensation decisions are made and the compensation paid to our most highly paid executive officers in the last three years.

At the Meeting, Shareholders will be asked to consider and to cast an advisory, non-binding vote on CAE's approach to executive compensation – this is often referred to as "say on pay".

The text of the "say on pay" resolution reads as follows:

''Resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Shareholders accept the approach to executive compensation disclosed in this Management Proxy Circular''.

Because your vote is advisory, it will not be binding upon the Board. However, the HRC will review and analyze the results of the vote and take into consideration such results when reviewing executive compensation philosophy and programs.

The Board of Directors recommends that Shareholders vote **FOR** the resolution set out above**.**

If a majority of the Shares represented in person or by proxy at the Meeting are voted against the above non-binding advisory resolution, the Board Chair or the HRC Chair will oversee a process to engage with Shareholders with a view to giving Shareholders the opportunity to express their specific concerns. The Board of Directors and the HRC will consider the results of this process and, if appropriate, review the Company's approach to executive compensation in the context of Shareholders' specific concerns.

Our approach to executive compensation was approved by 93.9% of the votes cast on the resolution during our August 13, 2014 annual meeting of Shareholders.

5 Renewal of the Shareholder Protection Rights Plan

CAE is a party to a shareholder protection rights plan agreement with Computershare Trust Company of Canada, as rights agent, dated June 21, 2006, as amended and restated (the "**Rights Plan**"). The Rights Plan will expire unless the shareholders vote at the Meeting to continue its operation. The Board of Directors has determined to recommend renewing the existing Rights Plan on substantially identical terms. At the Meeting, shareholders will be asked to consider and vote to approve the renewal of the Rights Plan, a summary of which is set forth in the attached Appendix C. This summary is qualified in its entirety by reference to the text of the Rights Plan, which is available upon request from the General Counsel, Chief Compliance Officer & Secretary of CAE at CAE Inc., 8585 Côte-de-Liesse, Saint-Laurent, Québec, H4T 1G6, telephone number 514-734-5779 and facsimile number 514-340-5530. The Rights Plan may also be accessed on CAE's website (www.cae.com), or on SEDAR at www.sedar.com. Capitalized terms used in such summary without express definition have the meanings attributed thereto in the Rights Plan.

The Rights Plan will continue in effect only if it is approved by ordinary resolution of the holders of Commons Shares of CAE at the Meeting. The text of the resolution approving the Rights Plan (the "**Rights Plan Resolution**") is set forth in Appendix D hereto. If not so approved, the Rights Plan will terminate and the rights issued under it will be void.

The Board of Directors recommends that Shareholders vote **FOR** the Rights Plan Resolution**.**

6 Approving By-Laws Amendments

CAE is approaching its seventy-year anniversary and from time to time it is appropriate to re-examine the by-laws under which the company operates to update them to conform to current governance practices.

CAE's by-law sections 4.12, 5.2 and 10.10 gives the Chairman of the Board or the chair of a meeting, a casting vote in the event of a tie vote. To the knowledge of the current company management, that casting vote has never been exercised by a Chairman. Some governance commentators are concerned that a casting vote is contrary to a one-person, one-vote board structure and may make the Chairman unequally powerful in the Board's deliberations. As set out in Appendix B hereto, CAE's Board of Directors proposes to amend the By-Laws to remove any casting vote given in the By-Laws to the Chairman of the Board, or the chair of a meeting. In practice we don't see that this change will have any impact on CAE's Board or shareholder meeting operations, as no Chairman has in current memory exercised a casting vote.

CAE's by-law s. 4.1 establishes quorum for a Board of Director meeting as being the minimum number of Directors on the Board provided for in CAE's Articles (namely three directors) or such larger number as the Board may determine. The CAE Board of Directors has functioned in practice on a requirement of at least 50% quorum (and has always had more than that at any Committee or Board meeting in recent memory). Some governance commentators are concerned that directors meetings may be convened with a minimum number of directors present, resulting in resolutions that may be passed in a meeting where less than half of directors are present. As set out in Appendix B hereto, CAE's Board of Directors proposes to amend the By-Laws to establish the quorum for the transaction of business at any meeting of the Board to consist of a majority of the Directors, and at any meeting of a Committee of the Board to consist of a majority of the Directors forming the Committee. In practice we don't see that this change will have any impact on CAE's Board operations, as neither the Board nor its Committees has been in the habit of meeting with less than half the members present.

CAE's by-law s. 10.6 establishes quorum for a shareholder meeting as being one or more share or proxy-holders being present representing at least five percent of CAE's shares. Some governance commentators are concerned that shareholders meetings may be convened with too few shareholders present. As set out in Appendix B hereto, CAE's Board of Directors proposes to amend the By-Laws to establish the quorum for the transaction of business at any meeting of shareholders to be two (2) persons present and holding or representing by proxy not less than twenty-five percent (25%) of the total number of issued shares of CAE having voting rights at the meeting. In practice we don't see that this change will have any impact on CAE's shareholder meetings, as shareholder meetings in the past decade and beyond have typically seen well above half of CAE's shares represented at such meetings.

The amendments to the By-Laws will continue in effect only if they are approved by ordinary resolution of the holders of Commons Shares of the Corporation at the Meeting. The text of the resolution approving the amendments to the By-Laws (the "**By-Laws Amendment Resolution**") is set out in Appendix B hereto.

The Board of Directors recommends that Shareholders vote **FOR** the By-Laws Amendment Resolution**.**

Other business

Following the conclusion of the formal business conducted at the Meeting, we will:

- provide an update on our business operations, and
- invite questions and comments from Shareholders.

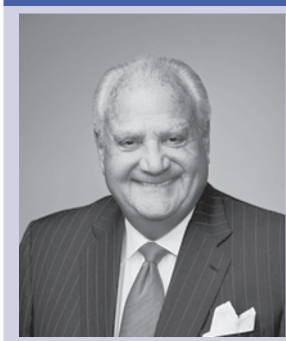
SECTION 3
ABOUT THE NOMINATED DIRECTORS

This section presents biographical data, CAE Board activity and Shares ownership information with respect to each nominee the Board of Directors is recommending FOR election by Shareholders at the Meeting. A description of the Board Nominee selection criteria, and nomination process and Board Attributes follows the individual tables. “Market Value” refers to the product of the sum of the Common Shares and DSUs held by a Director multiplied by the closing price on the TSX of a Common Share on June 10, 2015. Footnotes specific to each nominee are presented immediately below their biography.

98%	91%	61.2	6.8	98%
AVERAGE 2014 VOTES FOR	INDEPENDENT DIRECTORS	YEARS AVERAGE AGE	YEARS AVERAGE TENURE	AVERAGE BOARD ATTENDANCE

BRIAN E. BARENTS

Age: 71 **Director since :** 2005 (Independent)
Votes in Favor at Last Annual Meeting: 97.59%



Brian E. Barents[1] is a Director of several companies. A former Air National Guard Brigadier General and still an active pilot, Mr. Barents was the President, CEO and co-founder of Galaxy Aerospace Company, LP from 1997 to 2001 and before that President and CEO of Learjet, Inc. from 1989 to 1996. He is a past Chairman of the General Aviation Manufacturers Association. He currently serves on the boards of Kaman Corporation, Aerion Corporation and The NORDAM Group.

Board Membership and Attendance

Board	12 of 12	100%
Human Resources Committee	6 of 7	85.7%
Governance Committee	3 of 3	100%
Total	21 **of 22**	95**%**

Other Public Company Boards

Current	
Kaman Corp.	'96 – present
Aerion Corp.	'02 – present
The NORDAM Group Inc.	'03 – present
Former	
Hawker Beechcraft Corp.	'07 - '13

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	-	89,600	89,600	$1,357,440	$390,000	348%
June 11, 2014	-	77,453	77,453	$1,137,784	$390,000	292%

1 On May 3, 2012, while Mr. Barents was a Director thereof, Hawker Beechcraft Corporation filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code; that company exited Chapter 11 in February 2013 after which Mr. Barents left the Hawker Beechcraft Board of Directors.

SECTION 3
ABOUT THE NOMINATED DIRECTORS

MARGARET S. (PEG) BILLSON

Age: 53 **Director since :** 2015 (Independent)
Votes in Favor at Last Annual Meeting: N/A

Peg Billson[1] is the President & CEO of BBA Aviation Aftermarket Services, a division of BBA Aviation plc. Peg is a veteran aviation business leader with over 30 years of experience leading technology rich companies, including serving as the President & General Manager of the Airplane Division of Eclipse Aviation and as the Vice-President & General Manager of Airframe Systems at Honeywell International Inc. Peg has a master's degree in Engineering-Aerospace and, in recognition of her industry accomplishments, has been inducted into Embry Riddle Aeronautical University Hall of Fame. Peg is also an instrument-rated pilot.

Board Membership and Attendance

N/A

Other Public Company Boards

Current

N/A

Former

SkyWest, Inc.	'07 - '15

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	N/A	N/A	N/A	N/A	$390,000	0

1 Peg Billson will join the Board if elected at the Annual General Meeting.

MICHAEL M. FORTIER

Age: 53 **Director since :** 2010 (Independent)
Votes in Favor at Last Annual Meeting: 98.82%

Michael M. Fortier[1] joined RBC Capital Markets (RBCCM) as a Vice-Chairman in 2010. Prior to joining RBCCM, Mr. Fortier was a partner of Ogilvy Renault LLP (now Norton Rose Fulbright Canada LLP) and a Senior Advisor to Morgan Stanley in Canada.

Between 2006 and 2008, Mr. Fortier held various positions in the Government of Canada, as Minister of Public Works and Government Services, Minister of International Trade and Minister responsible for Greater Montreal. Prior to that, Mr. Fortier was active in the investment banking industry, first as a Managing Director with Credit Suisse First Boston (1999-2004) and then as a Managing Director with TD Securities (2004-2006).

Mr. Fortier also practiced law with Ogilvy Renault LLP from 1985 to 1999 in the areas of corporate finance and mergers and acquisitions. He was based in London, England for several years during this period.

Board Membership and Attendance

Board	12of 12	100%
Governance Committee	3 of 3	100%
Total	**15 of 15**	**100%**

Other Public Company Boards

Current

Aimia Inc.	'09 – present

Former

N/A

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	10,000	30,058	40,058	$606,879	$390,000	156%
June 11, 2014	10,000	23,528	33,528	$492,526	$390,000	126%

1 When Mr. Fortier commenced to work with RBCCM in October 2010, the Royal Bank of Canada had long had a position in CAE's financing syndicate. The level of fees paid by CAE to RBCCM in FY2015 is not material for either entity. CAE's Board of Directors has determined that the limited relationship between CAE and RBCCM does not impair Mr. Fortier's independence as a Director of the company

SECTION 3
ABOUT THE NOMINATED DIRECTORS

PAUL GAGNÉ

Age: 68 **Director since :** 2005 (Independent)
Votes in Favor at Last Annual Meeting: 97.37%

Paul Gagné[1] is a Director of various public and private companies. Mr. Gagné is the Chairman of Wajax Corporation, serves on the Audit and Organization and Compensation Committees of the board of Textron Inc., as well as the Audit, Human Resources and Environment, Health & Safety Committees of Norbord Inc. Mr. Gagné worked with Avenor Inc. from 1976 to 1997, last serving as its Chief Executive Officer. In 1998, he joined Kruger Inc., where he served as Consultant in Corporate Strategic Planning from 1998 to 2002. Mr. Gagné is a Chartered Professional Accountant.

Board Membership and Attendance

Board	12 of 12	100%
Audit Committee	4 of 4	100%
Human Resources (Chairman)	7 of 7	100%
Special Ad Hoc Steering Comm.	7 of 7	100%
Total	**30 of 30**	**100%**

Other Public Company Boards

Current	
Textron Inc.	'95 – present
Wajax Corporation	'96 – present
Norbord Inc.	'15 – present
Former	
Ainsworth Lumber Co. Ltd.	'11 – '15
Inmet Mining Corporation	'96 – '13
Fraser Papers Inc.	'04 – '11

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	-	103,382	103,382	$1,566,237	$390,000	402%
June 11, 2014	-	87,619	87,619	$1,287,123	$390,000	330%

1 Mr. Gagné resigned as Director of Gemofor Inc., a privately held manufacturer of sawmills equipment, in November 2006. Within a year of his resignation Gemofor Inc. filed for bankruptcy. In addition, Mr. Gagné was a Director of Fraser Papers Inc. (**"Fraser"**) from April 2004 through February 2011. In June 2009, Fraser initiated a court-supervised restructuring under the Companies' Creditors Arrangement Act (**"CCAA"**), and under other similar bankruptcy legislation in the U.S. As part of its restructuring, Fraser sold all of its productive assets and distributed the proceeds from the sale of those assets pursuant to a Consolidated Plan of Compromise and Arrangement which was approved by the courts in February 2011. Fraser's common shares were suspended from trading on the TSX on June 23, 2009. On March 10, 2011, the Ontario Securities Commission (**"OSC"**) issued a cease trade order against Fraser.

SECTION 3
ABOUT THE NOMINATED DIRECTORS

JAMES F. HANKINSON

Age: 71 **Director since :** 1995 (Independent)
Votes in Favor at Last Annual Meeting: 99.02%

James F. Hankinson is a corporate Director. He was the President and Chief Executive Officer of Ontario Power Generation Inc. from 2005 until his retirement in 2009. He has broad management experience in energy, transportation, resource and manufacturing-based businesses. Mr. Hankinson is a Director of ENMAX Corporation, a private company. He served as President and Chief Executive Officer of New Brunswick Power Corporation from 1996 to 2002. In 1973, he joined Canadian Pacific Limited and served as President and Chief Operating Officer from 1990 to 1995. Mr. Hankinson is a Chartered Professional Accountant.

Board Membership and Attendance

Board (Chairman)	12 of 12	100%
Special Ad Hoc Steering Comm.(Chairman)	7of 7	100%
Total	**19 of 19**	**100%**

Other Public Company Boards

Current
N/A

Former

Maple Leaf Foods Inc.	'95 – '12
Shoppers Drug Mart Corp.	'09 – '14

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	4,018	119,648	123,666	$1,873,540	$855,000	219%
June 11, 2014	4,018	107,969	111,987	$1,645,089	$855,000	192%

ALAN N. MACGIBBON

Age: 59 **Director since :** 2015 (Independent)
Votes in Favor at Last Annual Meeting: N/A

Mr. MacGibbon[1] has been non executive Vice Chair of the law firm Osler, Hoskin & Harcourt LLP since July 2014 and a director of Toronto Dominion Bank since April 2014. He was Global Managing Director, Quality, Strategy and Communications of Deloitte Touche Tohmatsu Limited from June 2011 to September 2013, and was also Senior Counsel to Deloitte LLP (Canada) from June 2012 to December 2013, and the Managing Partner and Chief Executive of Deloitte LLP (Canada) prior to June 2012. Mr. MacGibbon holds an undergraduate degree in business administration and an honorary doctorate degree from the University of New Brunswick. Mr. MacGibbon is a Chartered Professional Accountant, a Chartered Accountant and a Fellow of the Chartered Professional Accountants of Ontario.

Board Membership and Attendance

Board	1 of 1	100%
Audit Committee	1of 1	100%
Total	**2 of 2**	**100%**

Other Public Company Boards

Current

TD Bank	'14 – present

Former
N/A

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	4,056[2]	N/A	4,056	$61,448	$390,000	16%

1 Alan N. MacGibbon joined the CAE Board post FY2015 and has not, as of the date hereof, been paid any compensation by CAE.
2 1,004 of these shares are owned beneficially by Mr. MacGibbon's spouse, under the direction of Mr. MacGibbon.

SECTION 3
ABOUT THE NOMINATED DIRECTORS

JOHN P. MANLEY

Age: 65 **Director since :** 2008 (Independent)
Votes in Favor at Last Annual Meeting: 97.22%

John Manley [1, 2] is President and Chief Executive Officer of the Canadian Council of Chief Executives (not-for-profit) and Chairman of Canadian Imperial Bank of Commerce. From 2004 to 2009, he served as Counsel to McCarthy Tétrault LLP, a national law firm. Prior to that, John had a 16-year career in politics, serving as Deputy Prime Minister of Canada and Minister in the portfolios of Industry, Foreign Affairs and Finance. John obtained a Bachelor of Arts from Carleton University and a Juris Doctorate from the University of Ottawa, is a certified Chartered Director from McMaster University and holds honorary doctorates from the University of Toronto, University of Ottawa, Carleton University and University of Western Ontario.

Board Membership and Attendance		
Board	12of 12	100%
Human Resources Committee	7 of 7	100%
Governance Committee (Chair)	3 of 3	100%
Special Ad Hoc Steering Comm.	7 of 7	100%
Total	29 of 29	**100%**

Other Public Company Boards	
Current	
Canadian Imperial Bank of Commerce (CIBC)	'05 – present
Telus Corporation	'12 – present
Former	
Canadian Pacific Railway Limited	'06 – '13

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	-	72,472	72,472	$1,097,951	$390,000	282%
June 11, 2014	-	57,291	57,291	$841,604	$390,000	216%

1 From May 31, 2004 until on or about June 21, 2005, Mr. Manley as a Director of Nortel Networks Corporation (''**Nortel**'') and Nortel Networks Limited (''**NNL**''), as well as other directors, senior officers and certain employees of Nortel and NNL were prohibited from trading in securities of Nortel and NNL pursuant to management cease trade orders issued by the OSC, the Autorité des marchés financiers (''**AMF**'') and certain other provincial securities regulators (collectively the **"Regulators"**) in connection with the delay in the filing of certain of their financial statements. Following the filing of the required financial statements, the OSC and AMF lifted such cease trade orders effective June 8, 2006 and June 9, 2006, respectively, following which the other Regulators lifted their cease trade orders.

2 Mr. Manley was a Director of Nortel and NNL when Nortel and NNL were granted creditor protection under the CCAA on January 14, 2009 and under other similar bankruptcy legislation in the U.S. and other jurisdictions.

MARC PARENT

Age: 54 **Director since :** 2008
Votes in Favor at Last Annual Meeting: 99.29%

Marc Parent[1] has been the CEO of CAE Inc. since October 2009. He joined the Corporation in February 2005 as Group President, Simulation Products, was appointed Group President, Simulation Products and Military Training & Services in May 2006, and then Executive Vice President and Chief Operating Officer in November 2008. Mr. Parent has over 30 years of experience in the aerospace industry. Before joining CAE, Mr. Parent held various positions with Canadair and within Bombardier Aerospace in Canada and the U.S. Mr. Parent is past Chairman of the Board of Directors of the Aerospace Industries Association of Canada (AIA**C**) and of Aéro Montreal (Quebec's aerospace cluster). Mr. Parent graduated as an engineer from École Polytechnique, is a graduate of the Harvard Business School Advanced Management Program and holds an honourary doctorate from École Polytechnique. Mr. Parent is an active pilot holding a Transport Canada Airline Transport Pilot license.

Board Membership and Attendance		
Board of Directors	12 of 12	100%
Total	**12 of 12**	**100%**

Other Public Company Boards
Current
N/A
Former
N/A

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	200,462	253,367	453,829	$6,880,048	500% of salary	160%
June 11, 2014	106,786	248,651	355,437	$5,221,369	500% of salary	122%

1 Mr. Parent also holds 939,000 options to acquire Common Shares and as President and CEO has a higher Share/DSU ownership target than an Independent Director. Upon invitation of Board Committees, Mr. Parent attended all or a part of their meetings.

GENERAL PETER J. SCHOOMAKER, USA (RET.)

Age: 69 **Director since :** 2009 (Independent)
Votes in Favor at Last Annual Meeting: 97.94%

General Schoomaker is a consultant on defense matters. He is a former four-star U.S. Army general who was recalled from retirement to active duty as the 35th Chief of Staff, Army and member of the U.S. Joint Chiefs of Staff from 2003 until 2007. Prior to his first retirement, he served as Commander-in-Chief, U.S. Special Operations Command from 1997 to 2000. He was the owner/President of Quiet Pros, Inc. (defense consulting) from 2000 to 2003. General Schoomaker spent over 35 years in a variety of command and staff assignments with both conventional and special operations forces. General Schoomaker is a Director of several public, private and non-profit companies, the Special Operations Warrior Foundation and was a Director of CAE USA Inc. (from November 2007 to February 2009).

Board Membership and Attendance

Board	12 of 12	100%
Governance Committee	3 of 3	100%
Human Resources Committee	7 of 7	100%
Special Ad Hoc Steering Comm.	7 of 7	100%
Total	**29 of 29**	**100%**

Other Public Company Boards

Current

N/A

Former

DynCorp International Inc.	'07 – '10
Aeroflex Incorporated	'10 – '14

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	-	65,186	65,186	$987,568	$390,000	253%
June 11, 2014	-	51,885	51,885	$762,190	$390,000	195%

ANDREW J. STEVENS

Age: 58 **Director since :** 2013 (Independent)
Votes in Favor at Last Annual Meeting: 99.29%

Andrew J. Stevens[1] is a corporate Director based in the U.K who has operating experience globally in the aerospace and defence sector. Beginning with the Dowty Group, a leading British manufacturer of aircraft equipment (1976-94), Bowthorpe plc (1994-96), Messier-Dowty as Managing Director then Chief Operating Officer (1996-2000), Rolls-Royce, where he served as Managing Director Defence Aerospace (2001-2003), and Cobham plc as a Board member where he served variously as Group Managing Director, Aerospace Systems, Chief Operating Officer and Chief Executive Officer. (2003-12).

SECTION 3
ABOUT THE NOMINATED DIRECTORS

Board Membership and Attendance			Other Public Company Boards	
Board	10 of 12[1]	83.3%	**Current**	
Audit Committee	4 of 4	100%	Héroux-Devtek Inc.	'14 – present
Human Resources Committee	6 of 7	85.7%	De La Rue plc	'12 – present
Total	**20 of 23**	**89.67%**		
			Former	
			Cobham plc	'03 – '12

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	-	22,141	22,141	$335,436	$390,000	86%
June 11, 2014	-	11,263	11,263	$165,453	$390,000	42%

1 Mr. Stevens attended 100% of the Board's regular scheduled meetings but, due to prior scheduled business meetings, was unable to join 2 special meetings.

KATHARINE B. STEVENSON

Age: 52 **Director since :** 2007 (Independent)
Votes in Favor at Last Annual Meeting: 98.35%

Katharine B. Stevenson is a corporate Director who serves on a variety of corporate and not-for-profit boards. She was formerly the global Treasurer of Nortel Networks Corporation. Prior to joining Nortel Networks Corporation, she held progressively senior finance roles in investment and corporate banking at J.P. Morgan & Company, Inc. Ms. Stevenson serves as Director on the board of Canadian Imperial Bank of Commerce and on its Audit and Corporate Governance Committees. She is also a Director of Valeant Pharmaceuticals International, Inc., serving on its Audit & Risk and Special Finance Committees. She is a Director of Open Text Corporation and a member of its Audit Committee.

The CAE Board has determined that such simultaneous service does not impair the ability of Ms. Stevenson to effectively serve on CAE's Audit Committee. Formerly, Ms. Stevenson served as a Director and Audit Committee Chair of OSI Pharmaceuticals, Inc. until the sale of the company. She is certified with the professional designation ICD.D granted by the Institute of Corporate Directors (ICD).

Board Membership and Attendance			Other Public Company Boards	
Board of Directors	12 of 12	100%	**Current**	
Audit Committee (Chair)	4 of 4	100%	Canadian Imperial Bank of Commerce (CIBC)	'11 – present
Total	**16 of 16**	**100%**	Valeant Pharmaceuticals International Inc.	'10 – present
			Open Text Corp.	'08 – present
			Former	
			Afexa Life Sciences Inc.	'11 – '11
			OSI Pharmaceuticals Inc.	'05 – '10

Securities Held

Date	Common Shares	DSUs	Total	Market Value	Minimum Ownership Requirement	% of Achievement
June 10, 2015	15,600	75,828	91,428	$1,385,134	$390,000	355%
June 11, 2014	15,600	62,893	78,493	$1,153,062	$390,000	296%

SECTION 3
ABOUT THE NOMINATED DIRECTORS

DIRECTOR SELECTION AND NOMINATION PROCESS

Part of the GC's responsibility is to identify and recruit suitable potential Board members and recommend to the Board nominees for election at annual Shareholders meetings.

To fulfill this mandate, the GC:

- Identifies desirable skill sets, industry experience, diverse backgrounds, international experience, relationships and other attributes that would assist the Board of Directors in the conduct of its responsibilities and also further CAE's interests (refer to **"Board Attributes"** below).
- Reviews with the Chairman, CEO and other Directors possible candidates, including the existing members of the Board of Directors, which may meet some or all of such attributes.
- Considers potential conflicts of interest, independence issues and interlocking directorships of potential candidates.
- Approaches with the Chairman and other Directors potential candidates not already serving as Directors to determine their availability and interest in serving on CAE's Board, and will interview those interested to determine their suitability for nomination.
- Reviews with other members of the Board of Directors the potential nomination of any new Director before a final determination to nominate them is made.

CAE Board members must:

- Demonstrate high ethical standards and integrity, including abiding by the Board's Code of Conduct;
- Act honestly and in good faith regarding CAE's best interests;
- Devote sufficient time to CAE's affairs and exercise prudence and diligence in fulfilling all their Board-related responsibilities;
- Give independent judgment on issues facing CAE;
- Understand and challenge CAE's business plans and strategy;
- Effectively participate in all CAE Board-related deliberations;
- Make reasonable efforts to attend CAE Board and committee meetings; and
- Review the management materials provided in advance of, and otherwise prepare for, all Board meetings.

Under the articles of CAE, the Board of Directors may consist of a minimum of three and a maximum of twenty-one Directors. The Directors are to be elected annually as provided in CAE's by-laws. Each Director will hold office until the next annual meeting or until his or her successor is duly elected unless his or her office is earlier vacated in accordance with the by-laws. In accordance with the by-laws, the Board of Directors has fixed the number of Directors to be elected at the Meeting at eleven.

BOARD ATTRIBUTES

The following matrix identifying the age, tenure, professional skills, expertise and qualifications of current Board Directors is reviewed by the Governance Committee annually to ensure CAE benefits from an appropriate combination of skills, experience with CAE's business matters and corporate governance standards and fresh perspectives:

	AGE			TENURE at CAE			COMPETENCIES					
	Under 60	60 – 69	70+	0 – 5 years	6 – 10 years	More than 10 years	Knowledge of industry	Strategic leadership and management	Finance/Accounting	Human Resources	R&D	Governance/Board
Brian E. Barents			■		■		■	■		■		
Peg Billson	■			■			■	■		■		
Michael M. Fortier	■			■				■	■			■
Paul Gagné		■			■			■	■	■		
James F. Hankinson			■			■	■	■	■			
Alan N. MacGibbon	■			■				■	■	■		
John P. Manley		■			■			■		■		■
Marc Parent	■				■		■	■		■	■	
Peter J. Schoomaker		■			■		■	■		■		
Andrew J. Stevens	■			■			■	■			■	■
Katharine B. Stevenson	■				■			■	■			■

All non-management Director nominees (10 out of a total number of 11 Directors) are Independent.

All Board Committee members are Independent.

SECTION 4
CORPORATE GOVERNANCE

OUR COMMITMENT TO SOUND CORPORATE GOVERNANCE FOR OVER 65 YEARS

CAE's Board of Directors and management team take pride in knowing that CAE has maintained the highest standards in corporate governance throughout its more than 65-year history. CAE's corporate governance is rooted in the basic principle that proper and ethical practices lead to the creation and preservation of shareholder value.

Our governance structure enables independent, experienced and accomplished Directors to provide advice, insight and oversight to advance the interests of the Company and our Shareholders.

Regulatory compliance

As a Canadian reporting issuer with Common Shares listed on the Toronto Stock Exchange ("**TSX**") and the New York Stock Exchange ("**NYSE**"), CAE's corporate governance practices are required to meet and exceed applicable rules adopted by the Canadian Securities Administrators ("**CSA**") and the United States Securities and Exchange Commission ("**SEC**"), as well as provisions of the rules of the NYSE and of SOX.

Most of the NYSE's corporate governance listing standards are not mandatory for CAE as a non-U.S. company, but CAE is required to disclose the significant differences between its corporate governance practices and the requirements applicable to United States companies listed on the NYSE. Except as summarized on CAE's web site (http://www.cae.com/investors/governance/), CAE is in compliance with the NYSE requirements in all significant respects. CAE also complies with those provisions of SOX and the rules adopted by the SEC pursuant to that Act that are currently applicable to CAE.

Best practices and continuous improvement

The Board and its Governance Committee continue to monitor governance practices in Canada and the United States, and to implement changes to CAE's governance policies and practices as necessary to comply with any new rules issued by the CSA and other applicable regulatory authorities. We also monitor recommended best practices of shareholder representatives and other organizations and will implement any such practice we believe to be in the best interest of the Company. The proposed by-law amendments submitted for approval at the Meeting are testimony to our commitment to governance best practices.

Transparency and ongoing communication

CAE is committed to ensure open, ongoing dialogue with Shareholders, employees, other investors and the public. Through CAE's disclosure policy and procedures, the Board ensures that communication of material information to investors is timely and accurate, and broadly disseminated in accordance with all applicable securities laws and stock exchange rules. CAE's Global Communications and Investor Relations' department responds to investor inquiries. CAE's transfer agent, Computershare Trust Company of Canada, has a toll-free number (1-800-564-6253) and web site (www.computershare.com) to assist Shareholders. Shareholders may also send comments via e-mail to investor.relations@cae.com. In addition, CAE provides information on its business on CAE's web site (www.cae.com) and its filing with the Canadian securities regulators and the SEC can be accessed at www.sedar.com and www.sec.gov/edgar respectively.

SECTION 4
CORPORATE GOVERNANCE

Shareholders are encouraged to view the following downloadable documents as well as others that are stated to be available on CAE's web site www.cae.com/investors/governance. The information located on the web site is **also available in print to any Shareholder upon request to the Corporate Secretary's Department** at the address set out in this Circular.

- CAE's Corporate Governance Guidelines
- Summary of significant ways that CAE practices differ from governance requirements of U.S. domestic companies under the NYSE listing standards
- General By-laws
- Certificate of Amalgamation
- Shareholder Protection Rights Plan Agreement
- Board Member Code of Conduct
- Board Committee Mandates
- Position Descriptions for the CEO, Board Chair and each Board Committee Chair
- Code of Business Conduct

Board and management roles

The purpose of the Board and its committees is to build long-term value for the Company's Shareholders and to ensure the continuity and vitality of the Company's businesses by setting policy for the Company, overseeing strategic planning, monitoring the Company's performance, providing management with appropriate advice and performance feedback. Management is responsible for and the Board is committed to ensuring that CAE operates in a legal and ethically responsible manner. The Board's stewardship role, specific responsibilities, compositional requirements and various other matters are set forth in Appendix A – Board of Directors' Mandate – to this Circular.

CEO's role and responsibilities

The position description for the President and Chief Executive Officer is developed with input from the CEO, and is approved by the Governance Committee and the Board of Directors. The description provides that the CEO is responsible for defining, communicating and implementing the strategic direction, goals and core values of CAE with a view to maximizing CAE's value. It also provides that the CEO is accountable to the Board for, amongst other things, formulating and executing business strategies, overseeing CAE's corporate governance structure and framework, overall responsibility for the management of CAE's business, building and maintaining a network of strategic relationships with business leaders, governmental officials and investors, developing and implementing a human resource strategy which develops leadership capabilities, and creating an organizational structure and culture that optimize and sustain high levels of performance.

SECTION 4
CORPORATE GOVERNANCE

The Board Chair is Independent

Mr. James F. Hankinson, the current non-executive Chairman of the Board, is responsible for ensuring that the Board of Directors discharges its responsibilities independently of management. Correspondence to the Independent Directors may be sent to the attention of Mr. Hankinson, at CAE's address listed in this Circular.

The Board Chair position description sets out the Chair's responsibilities and duties in guiding the Board in the fulfillment of their stewardship role, namely:

- Represent the Board in discussion with Management;
- Represent the Board in discussion with third parties;
- Generally ensure that the Board functions independently of Management;
- Chair and encourage free and open discussions at the Board meetings;
- Together with the GC, identify guidelines for the selection of, and evaluation of conduct of the Directors;
- Report to Shareholders on behalf of the Board.

Board meeting attendance averaged 98% in FY2015.

Processes in place to ensure the Board may function independently of Management

The Independent Directors met separately at each of the regularly scheduled quarterly meeting of the Board of Directors during FY2015 and at each meeting of the HRC, GC and Audit Committee. At the Board meetings, the Independent Directors' meetings are chaired by the non-executive Chairman; at Committee meetings, by the Chair of that Committee. The Board, its Committees as well as individual Directors are also able to retain and meet with external advisors and consultants at the expense of CAE in appropriate circumstances. In fact, the Board has regular access to information independent of management through the external and internal auditors, as well as independent compensation consultants and the possibility of independent legal counsel. The Board believes that sufficient processes are in place to enable it to function independently of management.

Delegation to standing Board committees composed entirely of Independent Directors

In order to enable it to effectively fulfill its responsibilities, the Board has established three standing committeees currently composed of the following Independent Directors as of the Record Date:

	Governance	Audit	Human Resources
Brian E. Barents	■		■
Michael M. Fortier	■		
Paul Gagné		■	Chair
Alan N. MacGibbon		■	
John P. Manley	Chair		■
Peter J. Schoomaker	■		■
Andrew J. Stevens		■	■
Katharine B. Stevenson		Chair	

The nature and scope of authority and responsabilitiy delegated to each standing committee is set forth in the Committee mandates presented in Section 5 entitled **“Board Committee Reports”** which can also be found on our web site under “Corporate Governance” along with each Committee Chair’s position description.

The appointment of specific Directors to each of the standing Board Committees is generally intended to reflect the relevance of Independent Directors’ skills and experience to the applicable Committee’s mandate (refer to Section 3 entitled **“About the Nominated Directors”** for details about the selection process and criteria).

SECTION 4
CORPORATE GOVERNANCE

Orientation and continuing education

New Directors meet with CAE executive officers, including the CEO and CFO, to discuss CAE's expectations of its Directors and to discuss CAE business and strategic plans. New Directors also review CAE's current business plan, detailed agendas and materials of previous Board meetings. New Directors of CAE receive a comprehensive reference manual containing all key corporate and Board policies, including the Code of Business Conduct and other relevant materials and executive briefing sessions. All Directors have regular access to senior management to discuss Board presentations and other matters of interest. CAE management and the Governance Committee keep all Directors aware of major developments in corporate governance, important trends and new legal or regulatory requirements. The Board also receives presentations from senior management on CAE's performance and issues relevant to the business of CAE, the industry and the competitive environment in which it operates.

The Governance Committee encourages CAE's Directors to attend conferences, seminars or courses whether they be industry-specific to CAE or whether relevant to fulfill their role as a Director, the cost of which will be borne by CAE. In recognition of the rapidly changing technology and competitive environment and emerging markets in our business, the Board at regularly scheduled meetings requires management to provide an in-depth review of the business segments in which we operate, as well as our industry in general. The Board and its Committees are continually updated by Management on developments related to corporate governance, directors' fiduciary duties, changes in law, industry news and other educational material.

Ethical business conduct

CAE has a Code of Business Conduct that governs the conduct of CAE's officers, employees, contractors and consultants, as well as a Board Member's Code of Conduct that governs the conduct of CAE's Directors. CAE uses Ethicspoint, a third-party whistleblower reporting service, to facilitate reporting of breaches of the Code of Business Conduct and any other misconduct. Apart from any individual reports the Board or Human Resources and Audit Committees may receive from management or the whistleblower service, the Governance Committee receives a quarterly and an annual report from management on CAE's management's compliance with the Code of Business Conduct.

Assessment of Directors by the GC

Refer to Section 5 entitled **"Board Committee Reports"**.

Compensation

Refer to **"Board Committee Reports – The Human Resources Committee"** in Section 5, **"Director Compensation"** in Section 6 and **"Executive Compensation – Setting Executive Compensation – Role of the HRC"** in Section 7.

SECTION 5
BOARD COMMITTEE REPORTS


J. MANLEY (CHAIR) B. E. BARENTS


M. FORTIER P. J. SCHOOMAKER

THE GOVERNANCE COMMITTEE

assists the Board in developing and implementing our corporate governance guidelines, identifying individuals qualified to become members of the Board and determining the composition of the Board and its committees, preparing the Board's succession plan, determining the Directors' remuneration, developing and overseeing an assessment process for the Board, and reviewing and recommending for Board approval our corporate policies concerning business conduct, high standards of corporate governance and ethics.

The 4 members of the GC are all Independent Directors and the GC's mandate is available in the governance section of our website at CAE.com.

The GC held 3 meetings in FY2015; aggregate attendance: 100%.

The members of the Governance Committee are selected for their experience and knowledge with respect to governance matters generally. Descriptions of Messrs. Manley, Barents and General Schoomaker's credentials and past experience can be found in the subsequent Audit and Human Resource Committee reports.

Mr. Fortier was selected for the Governance Committee because of his extensive career as a corporate lawyer, including advisory work to public company boards on a variety of governance aspects, his experience as a Government of Canada Cabinet Minister with three different portfolios and his current leadership role as Vice-Chairman of RBC Capital Markets.

Highlights for FY2015

- An annual board effectiveness survey overseen by the Chairman of the Governance Committee was carried out
- The GC determined that Katharine Stevenson and Paul Gagné meet the standards to be considered financial experts for the Audit Committee
- The GC reviewed and approved a Chairman succession policy
- The GC reviewed and approved a Continuous Education policy for CAE board members
- The GC reviewed and approved the location of the annual strategic plan meeting coupled with other meetings with customers and a CAE business unit
- The GC considered several possible candidates for nomination to the CAE Board to maintain the desired skills and diversity profile of the Board in contemplation of approaching term limits for some directors and a resignation notice

Continuing education

In addition to access through the Board's website to an evergreen supply of current research and analysis, news reports and academic studies on best governance and compensation practices and other aspects of board and fiduciary responsibilities and use of the National Association of Corporate Directors research and educational tools, the following activities were conducted in FY2015 to ensure that all required educational resources are available to Directors to properly discharge their responsibilities:

- Board meeting in Mirabel, Quebec, permitting the review of CAE's Canadian Defense & Security business, as well as to meet D&S and commercial aviation customers;

- Quarterly updates from management on CAE's compliance with such matters as export control, anti-corruption laws and environment, health & safety; and

- Numerous presentations on CAE's markets, technology, industry developments and other educational material.

Review of Board members' remuneration

With the assistance of PCI-Perrault Consulting Inc., the Committee reviewed the level of compensation of CAE Directors using the same list of comparator companies as that adopted by the HRC for the NEOs (see **"Compensation Discussion and Analysis – Comparator group benchmarking"** for detailed list) and determined to maintain the base compensation level at $130,000 per annum. CAE's compensation of individual Directors remains at the benchmark provided by PCI-Perrault Consulting Inc. in FY2014. It is important that the Board of Directors' compensation be sufficiently competitive to permit the company to attract good candidates from North America and abroad to reflect CAE's international scope of business.

Resolution of complaints under the Code of Business Conduct

The chairman of the Committee is kept apprised of every report filed with the independent third party responsible for receiving any complaints under CAE's Code of Business Conduct, as well as relevant complaints received by CAE senior management. The Committee is regularly informed of the resolution of such complaints (as is the Chairman of the Audit Committee where misconduct relating to financial accounting, books and record keeping, fraud or similar financial impropriety is alleged) and the results of the annual certification process for all manager-level and up CAE employees under CAE's Code of Business Conduct.

Diversity Initiatives

The Committee reviewed and approved for recommendation to the CAE Board a Policy Regarding Board and Executive Officer Diversity. The Board in turn adopted the Policy effective May 26, 2015.

The Policy confirms the guiding principle that the Board will nominate directors and appoint executive officers based on merit and the needs of CAE at the relevant time, and, that CAE is strongly committed to finding the best people to serve in such roles. The Policy also recognizes that diversity helps to ensure that (a) director and executive officers provide the necessary range of perspectives, experiences and expertise required to achieve effective stewardship and management of CAE, and (b) a variety of differing perspectives are included in addressing issues, while providing a greater likelihood that proposed solutions will be robust and comprehensive. Gender diversity is specifically acknowledged in the Policy as a significant aspect of diversity.

The Policy provides that:

- in identifying potential candidates to serve on the Board, the Committee will (a) consider only candidates who are highly qualified based on their talents, experience, expertise and character (b) take into account criteria that promotes diversity, including, but not limited to, gender, international background, nationality, age, and industry knowledge, (c) endeavor to use any available network of organizations and associations that may help identify diverse candidates, and (d) in order to support the specific objective of gender diversity, consider the level of representation of women on the Board; and
- in identifying potential candidates for appointment as President and Chief Executive Officer and for other executive officer positions, the Human Resources Committee and the President and Chief Executive Officer, respectively, will (a) consider individuals from a variety of backgrounds and perspectives with the Corporation's diversity objectives in mind, including, without limitation, the specific objective of gender diversity, and (b) consider the level of representation of women in executive office positions.

In order to ensure that the Policy is appropriately implemented and to measure its effectiveness, at least annually:

- the Committee will assess and report to the Board regarding the efficacy of the director nomination process at achieving the Corporation's diversity objectives; and
- the President and Chief Executive Officer will assess and report annually to the Human Resources Committee regarding the efficacy of the executive officer appointment process at achieving the Corporation's diversity objectives.

CAE has not adopted targets for the number of women or other diverse groups on the Board or in executive officer positions, as it believes that doing so could result in a potential conflict with the principle that the presence of the requisite competencies, skills, business and financial experience, personal qualities and level of commitment should be of paramount importance when considering Director nominations and executive officer appointments.

As of the date of this Information Circular, two of ten (or 20%) of CAE's current directors, and one of ten (or 10%) of the Corporation's current executive officers, are women. A total of four (4) women occupy senior management positions which represents sixteen percent (16%) of the Company's total senior management population. If all director nominees named in this Information Circular are elected at the Meeting, two of eleven (or 18%) of the Corporation's directors, will be women. As the Policy was adopted on May 26, 2015, the annual cumulative progress made by CAE in achieving its objectives is not yet measurable.

SECTION 5
BOARD COMMITTEE REPORTS

K. B. STEVENSON (CHAIR)

P. GAGNÉ

A. J. STEVENS

K. E. WALSH

THE AUDIT COMMITTEE

assists the Board in its oversight of the integrity of our financial statements, compliance with applicable legal and regulatory requirements, the independence, qualifications and appointment of the external auditors, the performance of both the external and internal auditors, management's responsibility for assessing and reporting on the effectiveness of internal controls and our enterprise risk management processes.

Also see Sections 10 and 11 and Schedule B – Audit Committee in our Annual Information Form for the year ended March 31, 2015 (which you can access on our website at CAE.com, on SEDAR at sedar.com and on EDGAR at sec.gov), for information about the Audit Committee, including its mandate and Audit Committee policies and procedures for engaging the external auditors.

The 4 members for the Audit Committee are Independent Directors. Ms. K. Stevenson and Mr. P. Gagné have been determined by the Board to be the Audit Committee financial experts. In addition the Board, in its judgment, has determined that each other member of the Audit Committee is financially literate. The mandate of the Audit Committee is available in the governance section of our website at CAE.com.

The Audit Committee held 4 meetings in FY2015; aggregate attendance: 100%.

The members of the Audit Committee are selected for their experience and knowledge with respect to financial reporting, internal controls and risk management. Below are details of committee members' career highlights that make them qualified and effective Audit Committee decision-makers:

Ms. Stevenson has extensive financial and accounting experience, including from her services as Treasurer of Nortel Networks Corporation, as Vice President, Corporate Finance with J.P. Morgan Chase & Co., a global financial services firm based primarily in New York, and as former chair of the Audit Committee of OSI Pharmaceuticals, Inc. She also serves on the Audit Committee of Open Text Corporation, the Audit & Risk Committee of Valeant Pharmaceuticals International Inc. and the Audit Committee of Canadian Imperial Bank of Commerce (CIBC).

Mr. Gagné is a Chartered Professional Accountant. In addition to his current activities set out in Section 3 above, he also serves on the Audit Committees of the Boards of Directors of Ainsworth Lumber Co. Ltd. and Textron Inc. and previously chaired CAE's Audit Committee.

Mr. Stevens has extensive managerial experience within the aerospace sector. This managerial experience, set out in Section 3 above, has provided Mr. Stevens with significant insight into financial issues encountered by companies conducting business within the aerospace sector.

Ms. Walsh is the CEO of Boston Medical Center, which is one of the largest safety net hospitals in New England. Ms. Walsh has extensive financial and accounting knowledge gained from her managerial experience.

Following the end of FY2015, Alan N. MacGibbon joined the Audit Committee after the May 26, 2015 Board meeting. Mr. MacGibbon brings a wealth of financial expertise to the committee. He was formerly the Managing Partner and Chief Executive of Deloitte LLP (Canada), a member of Deloitte's Board of Directors, and a member of the Executive and Board of Directors of Deloitte Touche Tohmatsu Limited. Mr. MacGibbon is a chartered professional accountant and a Fellow of the Ontario Institute of Chartered Professional Accountants.

Highlights for FY2015

Verification of auditor's independance

The committee reviewed the internal audit plan and quarterly internal audit reports. Throughout the past year, the Committee reviewed, with and without management present, the results of PwC's communications with CAE required by generally accepted auditing principles.

The committee reviewed in detail quarterly interim financial information and earnings press releases before their public release. The Committee also reviewed and recommended approval to the Board of the quarterly MD&A and the press releases for the quarterly results. The committee reviewed the MD&A and audited financial statements of CAE prepared by management for the fiscal year ended March 31, 2015 with management and PwC, and thereafter recommended that they be published and filed with the Autorité des marchés financiers and the SEC.

Review of internal controls

The committee reviewed the processes involved in evaluating CAE's internal controls and oversaw the compliance process related to the certification and attestation requirements of SOX and related SEC rules, as well as of the rules relating to audit committees and certification of financial information adopted by the CSA.

SECTION 5
BOARD COMMITTEE REPORTS


P. GAGNÉ (Chair)


B. E. BARENTS


J. P. MANLEY


P.J. SCHOOMAKER


A. J. STEVENS

THE HUMAN RESOURCES COMMITTEE

assists the Board of Directors in its oversight responsibilities relating to compensation, nomination, evaluation and succession of the President and CEO, other officers and management personnel; oversees the Corporation's environment, health and safety policies and practices, pension plan administration and pension fund investments and management development and succession planning.

The 5 members of the HRC are Independent Directors. The mandate of the HRC is available in the governance section of our website at CAE.com.

The HRC held 7 meetings in FY2015, aggregate attendance: 95%.

The HRC is responsible for the company's compensation structures and succession planning. We constantly ensure that members of the HRC have the experience and knowledge to fulfill this role. Below are details of committee members' career highlights that make them qualified and effective HR decision-makers:

- Mr. Gagné, Chair of the HRC, as a past CEO as well as Chairman of another public company and a current and past member of other human resources/compensation committees of U.S./Canadian public company boards, has extensive direct experience in human resources and compensation management. He has dealt with management, succession and compensation matters in both Canada and the United States. He has also dealt with unionized work forces, including overseeing the negotiation of work force agreements.

- Mr. Barents has been a member of CAE's HRC for several years. Mr. Barents has dealt with executive compensation and human resources matters as a CEO and co-founder of Galaxy Aerospace and as a Brigadier General in the U.S. Air National Guard. He is currently sitting on the HRCs of another public company and of a private company, providing him with the experience and background to address the matters raised within CAE's aviation and defence business segments.

- Mr. Manley, as CEO of the Canadian Council of Chief Executives, past Deputy Prime Minister of Canada and past Cabinet Minister (Industry, Foreign Affairs and Finance departments, non-concurrently), has extensive experience dealing with human resources and compensation matters in both corporate and government entities. He currently sits as a member of two other public company boards, giving him a more diverse perspective on human resources policy.

- General Schoomaker has been a member of CAE's HRC for several years. He has dealt with human resources matters as a four star U.S. Army General. General Schoomaker serves on the Compensation and Governance Committees of the Board of Directors of ARA Inc., and also formerly served on the Compensation Committee of DynCorp. He has the experience and background to address CAE's human resources issues and compensation practices.

- Mr. Stevens, as past CEO of a public company and a board member of Canadian and international companies, has extensive experience in compensation matters at both the executive and employee levels in a corporate environment.

As past CEOs and/or senior military/government leaders, all members of the CAE HRC possess the financial knowledge required in order to assess and determine the applicability of measures and targets utilized in determining variable compensation and assessing executive performance against targets and overall company performance.

Highlights for FY2015

Succession planning

The Board of Directors has delegated to the HRC the responsibility to review CAE's processes for succession planning, reviewing succession plans for key members of senior management, and monitoring the performance of senior executives except for the CEO.

CAE has in place a company-wide Annual Leadership Development Process (''ALDP'') focused on accelerating leader development and ensuring strong succession for executive positions in the company. As part of the ALDP, an evergreen list of qualified candidates is maintained in support of the succession plan for executive and management positions. As part of its mandate, the HRC reviews ALDP results periodically and reports to the Board on management succession and retention status annually.

Compensation risk oversight

The HRC and the Board of Directors are observant of the potential risks that compensation plans can create and have taken steps to ensure that the overall design of the CAE compensation plans mitigate those risks.

Highlights of Key Executive Compensation Changes in FY2015

As already mentioned in our 2014 Management Proxy Circular, in FY2014, we spent significant time analyzing our historical performance of our long-term incentive plans (**"LTIP"**), the relevance of our performance measures and vehicles used as well as benchmark data and tried to closely tie our pay to performance and align our compensation to our evolving strategy and results, which lead to the following changes to our long-term incentive plan in FY2015:

- We moved from relative TSR Performance-based Restricted Share Units to strategic plan EPS Performance-Based Units (**"PSU"**);
- We reduced the weighting of Stock Options in the LTIP from 40% to 30% and increased the PSU from 40% to 50%;
- We replaced the Deferred Share Units (**"LTU"**) with time-vested Restricted Share Units (**"RSU"**) with a weighting of 20%.

These changes are further described in the section **"Compensation Policy and Objectives"** in Section 7.

SECTION 5
BOARD COMMITTEE REPORTS

Major activities and topics covered by the HRC are detailed on a by-meeting basis in the calendar below:

Regular Meetings	Agenda
May 2014	**Review of:** • Executive Compensation Trends • Proxy circular • CEO FY2014 performance and FY2015 objectives • Environment, Health & Safety **Approval of:** • STIP, LTIP awards and merit increases for CEO direct reports • New Performance Share Unit and Restricted Share Unit Plan Texts • CEO objectives for FY2015
August 2014	**Review of:** • Succession planning & ALDP • Retirement & Savings Plans • STIP update • Environment, Health & Safety • HRC mandate & best practices
November 2014	**Review of:** • STIP udpate • Environment, Health & Safety • Labour relations review • External Executive Compensation Environment **Approval of:** • HRC mandate
February 2015	**Review of:** • Share Ownership Guidelines Status • Environment, Health & Safety • Annual HRC performance evaluation • STIP update • Glass Lewis & ISS Updates & 2015 Proxy preparation **Approval of:** • STIP and LTIP Design for FY2016 • Executive Compensation Comparator Group for FY2016 • CEO Compensation – Pay for Performance Testing Methodology

SECTION 6
BOARD DIRECTOR COMPENSATION

This section provides information pertaining to the compensation, Share ownership and Share ownership requirements of our non-management Directors.

Our compensation program for non-management Directors has the following objectives:

- Attract and retain highly qualified, committed and talented members of the Board with an extensive and relevant breadth of experience;
- Align the interests of Directors with those of our Shareholders.

The Board sets the compensation of non-management Directors based on recommendations from the Governance Committee.

The Governance Committee annually reviews the compensation of non-management Directors and recommends to the Board such adjustments as it considers appropriate and necessary to recognize the workload, time commitment and responsibility of the Board and committee members and to remain competitive with directors' compensation trends. Any Director who is also an employee of the Company or any of its subsidiaries does not receive any compensation as a Director.

Same comparator group as for NEOs

To benchmark Directors' compensation, the Governance Committee uses the same Comparator group of companies as that used to benchmark NEOs' compensation. This Comparator group comprises Canadian and US publicly-listed companies that have relevance to CAE in terms of head office location, market segment or business activities, revenue and market capitalization (the "Comparator Group"). The Comparator Group is reviewed periodically and adjustments are made to account for merger and acquisition activities and to ensure it continues to reflect CAE's employment market and financial results. Refer to **Section 7** entitled **"Executive Compensation"** of this Circular for the companies included in CAE's latest Comparator Group and detailed selection criteria.

Director compensation last benchmarked and adjusted in FY2015

In FY2015, Directors' all-inclusive fees were set as follows:

Position	Annual Fee	Form of payment
Board Chair	$285,000	• $125,000 in DSUs • $160,000 in cash or DSUs[2] at Director's election
Board Member	$130,000	• $75,000 in DSUs[2] • $55,000 in cash or DSUs[2] at Director's election
Board Committee Chair[1]	$ 25,000	• DSUs up to minimum ownership requirement • Cash or DSUs at Director's election therafter
Board Committee Member[1]	$ 10,000	• DSUs up to minimum ownership requirement • Cash or DSUs at Director's election therafter
Special Ad Hoc Steering Committee Chair	$25,000	• Cash or DSUs at Director's election
Special Ad Hoc Steering Committee Member	$15,000	• Cash or DSUs at Director's election

(1) Additional compensation for participation on the Audit, Governance and Human Resources Committees.

(2) Deferred Share Units.

SECTION 6
BOARD DIRECTOR COMPENSATION

The Board believes the all-inclusive annual flat fee (in lieu of retainers and attendance fees) compensate Directors fairly and equitably for the risks, time committment and responsiblities in being effective Directors.

Non-Employee Directors’ Deferred Share Unit Plan (Directors’ DSU Plan)

A DSU is equal in value to one Common Share of CAE and accrues additional units in an amount equal to each dividend paid on Common Shares. DSUs earned by non-employee Directors vest immediately but are only redeemable after termination of the Director’s service with CAE. Payment in cash is then made based on the market value of the equivalent number of Common Shares, net of tax and any other applicable withholdings.

Minimum shareholdership requirements align Directors’ and Shareholders interests

CAE Directors are required to own the equivalent of three years’ of Board annual base fees in the form of Common Shares and/or DSUs.

DSUs facilitate Directors’ achievement of minimum shareholdership requirements

Non-employee Directors holding Common Shares and/or DSUs of a value that is less than the equivalent of three years of Board annual base fees receives all fees in the form of DSUs. Once such minimum is reached, a non-employee Director may elect to continue to participate in the Directors’ DSU Plan in respect of part or all of his or her annual Board and Committee fees over and above the annual fee component paid in DSUs. A non-employee Director is not, once the minimum Common Share and/or DSU ownership target is reached, obligated to acquire more Shares or DSUs if the value of his/her investment in CAE drops due to stock market fluctuations.

Risk mitigation

As per the terms of the DSU Plan, the rights and interests of a Director in respect of the DSUs held in such participant’s account are not transferable or assignable other than for specific cases of legal succession. DSUs held by CAE Directors are subject are subject to the Anti-hedging policy described in the Governance Committee Report.

CAE maintains Directors’ and officers’ liability insurance for its Directors and officers, as well as those of its subsidiaries as a group.

SECTION 6
BOARD DIRECTOR COMPENSATION

Directors' compensation table

The following table summarizes compensation earned by non-management Directors of CAE during FY2015:

Name	Total Fees Earned ($)	Paid in Cash ($)	Paid in DSUs ($)[1]
Brian E. Barents	150,000	–	150,000
Michael M. Fortier	140,000	54,167	85,833
Paul Gagné	198,444	–	198,444
James F. Hankinson	308,444	173,128	135,315
John P. Manley	198,444	–	198,444
Peter J. Schoomaker	173,444	–	173,444
Andrew J. Stevens	150,000	–	150,000
Katharine B. Stevenson	165,000	–	165,000
Kathleen E. Walsh	140,000	–	140,000

1. Represents the value of DSUs determined based on the grant date fair value of the award in accordance with IFRS2. The value of each unit is set to CAE's closing Shares price on the date of grant.

   Alan N. MacGibbon joined, and Margaret S. (Peg) Billson will if elected join, the CAE Board post FY2015 and were not, as of March 31, 2015, paid any compensation by CAE.

SECTION 7
EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This section describes our compensation philosophy, policies and programs and provides the details with respect to the compensation awarded to our named executive officers in FY2015.

In FY2015 CAE continued to make progress,delivering solid financial results while maintaining our leadership position in a number of our market segments and further advancing our strategy to be the recognized global training partner of choice. In FY2015 CAE reached a record level of revenue, established important joint venture training partnerships with key airline customers and saw strong performance improvements and growth in both Defence & Security and Healthcare. Additionally, the company maintained a strong book to sales ratio while exceeding customer satisfaction targets.

FY2015 performance resulted in a positive payout of 75% of target under the annual incentive plan and reflected improved year-over-year revenue and EPS performance.

COMPENSATION OBJECTIVES

Much of CAE's success in developing and growing its worldwide business is attributable to a highly qualified and motivated executive team. The executive compensation programs are based on a pay-for-performance philosophy in which executives receive salaries, annual short-term incentive awards contingent upon attaining consolidated, business unit and individual achievements, and long-term incentive awards that motivate executives to create increasing and sustainable value for the Shareholders. In addition, executives receive perquisites and pension benefits.

The objectives of the executive compensation programs are to:

1. attract, retain and motivate qualified executives;
2. align executives and Shareholders' interest around the creation of incremental value;
3. foster teamwork and entrepreneurial spirit;
4. establish an explicit and visible link between all elements of compensation and corporate and individual performance; and
5. integrate compensation with the development and successful execution of strategic and operating plans.

SETTING EXECUTIVE COMPENSATION

Compensation principles

CAE's compensation policies and practices are structured in a balanced way such that they have not in the past several years created risks that had a material adverse effect on the company.

The principles underlying CAE's executive compensation programs are as follows:

Pay for performance
The majority of compensation is variable, contingent and directly linked to financial and operational performance metrics, as well as CAE's share price market performance.

Balance
The portion of total compensation that is performance-based increases with an executive's level of responsibility.

Long term focus
For our most senior executives, long-term stock-based compensation opportunities outweigh short-term cash-based opportunities.

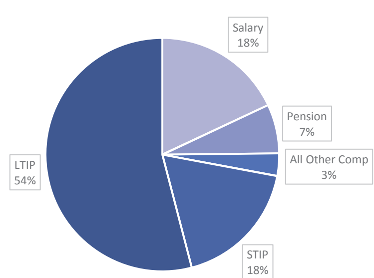
Shareholder alignment
The financial interests of executives are aligned with the interests of our Shareholders through stock-based compensation and annual and long-term performance metrics that correlate with sustainable shareholder value growth.

Competitiveness
Total compensation is competitive enough to attract, retain and motivate CAE's executive team while fostering entrepreneurial spirit. This is achieved by providing compensation at the median of comparator group companies but paying up to the 75th percentile for superior performance.

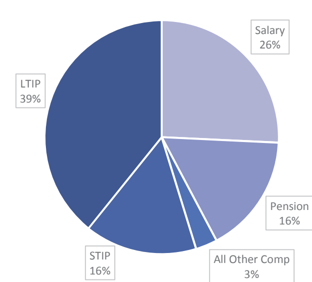
Responsibility
Compensation takes into account each executive's responsibility to act in accordance with our ethical, environmental and health and safety objectives at all times, channeled through our code of business conduct. Financial and operating performance must not compromise these values. Commitment to ethical and corporate responsibility is a fundamental belief underlying all aspects of our compensation plans, from setting targets to conducting annual performance assessments and succession planning.

Emphasis on variable and long-term compensation

The following illustrates the relative weight of each compensation policy element, at target:



CEO



Other NEOs' average

SECTION 7
EXECUTIVE COMPENSATION

Role of the HRC in setting executive compensation

The HRC acts as an advisory committee to the Board of Directors. The Board assigns responsibilities to the HRC with regards to the review, approval and administration of CAE's compensation programs. The main components of the HRC's mandate with respect to compensation are:

- Review and approve the design of executive compensation and benefits programs;
- Review and consider the input of independent external consultants;
- Review and approve the composition of CAE's comparator group;
- As appropriate, meet with CAE Shareholders to discuss compensation and benefits;
- Report to the Board on how plan changes to compensation and benefits impact CAE's financial performance and obligations;
- Recommend to the Board the President and CEO's compensation;
- Review and approve changes to the pension plan, including investment strategy;
- Prepare the Compensation Discussion & Analysis Section of the Management Proxy Circular and other disclosure documents.

Role of compensation consultants

The HRC retains the services of an independent compensation consultant, Hugessen Consulting Inc., to provide advice on executive compensation matters. Hugessen is responsible for reviewing all material presented to the committee on compensation-related matters and assists the company in the design of its compensation programs. Hugessen performs duties for the HRC only. No CAE Director or officer has any affiliation with Hugessen.

CAE's management also uses the services of PCI – Perrault Consulting Inc. to assist CAE in the benchmarking of its executive positions and the Board, as well as in the drafting of the annual management proxy circular.

While the HRC and Board receive input from others, they are responsible for the design, application and oversight of CAE's executive compensation.

The following table shows the fees paid by CAE to Hugessen Consulting and PCI-Perrault Consulting Inc. for FY2015 and FY2014.

	Fees paid to Hugessen Consulting		**Fees paid to PCI-Perrault Consulting Inc.**	
Year	FY2015	FY2014	FY2015	FY2014
Executive Compensation	$136,609	$122,709	$59,281	$114,365
Other Mandates	–	–	–	–
Total	$136,609	$122,709	$59,281	$114,365

Comparator group benchmarking

Updated every second year

Executive compensation is benchmarked every second year with the assistance of compensation consultants, PCI-Perrault Consulting Inc., who prepare an analysis of CAE's compensation set against compensation practices within the comparator group of companies. An executive compensation benchmark was performed in FY2014.

- CAE's business segments compete within several market segments and not all of its competitors are present in all the same segments or publish or provide segment-specific compensation disclosure relevant to CAE. Therefore, CAE included comparator group companies that are active in at least one of its activity segments. The table on the next page indicates the main activities for which the comparator group companies were chosen.

- Also considered when assessing comparator group companies are:
  - Head office location
  - Company financials (revenue and market capitalization)
  - Companies with business operations outside of Canada, reflecting the fact that over 90% of CAE's revenues are generated outside of Canada
  - Companies that compete with CAE for talent (in and outside of Canada) reflecting CAE's multinational reality. For FY2015, 2 out of 4 of the CEO's direct reports leading a business segment came from outside of Canada; 3 out of 4 for FY2014.
  - Companies with similar business profiles
    - Size
    - Business mix/industry similarity
    - Scale of operations outside home country
    - Talent requirements/primary competitors for talent

  Given the comparator criteria above, CAE's comparator group results in a broad mixture of relevant Canadian and US companies.

- The list of comparator companies adopted by the HRC for the 2014 benchmarking exercise is:

	Aerospace	Med. Devices	Indus. Controls	IT/ Software	Training/ Simul.	Constr./ Engin.	Other Services
Canadian Sub-Group							
CGI Group				■		■	
Linamar Corp.							■
MacDonald Dettwiler				■			■
Manitoba Telecom Svcs				■			■
Nordion Inc.		■					■
ShawCor Ltd				■			■
SNC-Lavalin Group Inc.						■	
Stantec Inc.						■	■
Toromont Industries						■	■
Transat AT Inc.	■						
WestJet Airlines Ltd.	■						
US Sub-Group							
AECOM Technology					■	■	
AAR Corp.	■						
Alliant Techsystems Inc.	■						
AMETEK Inc.	■	■	■			■	
Autodesk Inc.				■			
BE Aerospace	■						
C.R. Bard Inc.		■					
Cadence Design Systems				■		■	
Cubic Corp.	■			■	■		
Curtiss-Wright Corp	■		■				
Gartner Inc.				■			
Hexcel Corporation	■		■			■	
Hologic Inc.		■					
Moog Inc.	■	■	■				
Rockwell Collins Inc.	■				■		
Roper Industries		■	■				
Steris Corp.		■					
Synopsys Inc.				■			
Teledyne Technologies		■		■			
Teleflex Inc.		■					
TransDigm Group	■						
Triumph Group	■					■	
Varian Medical Systems		■					
Woodward Inc.	■		■				

SECTION 7
EXECUTIVE COMPENSATION

CAE utilizes the compensation data from each of the Canadian and the U.S. group of comparator companies for benchmarking purposes. The Canadian and U.S. companies in the comparator group are weighted in aggregate equally and the compensation value between the two comparator groups is compared at par.

Comparator group financials

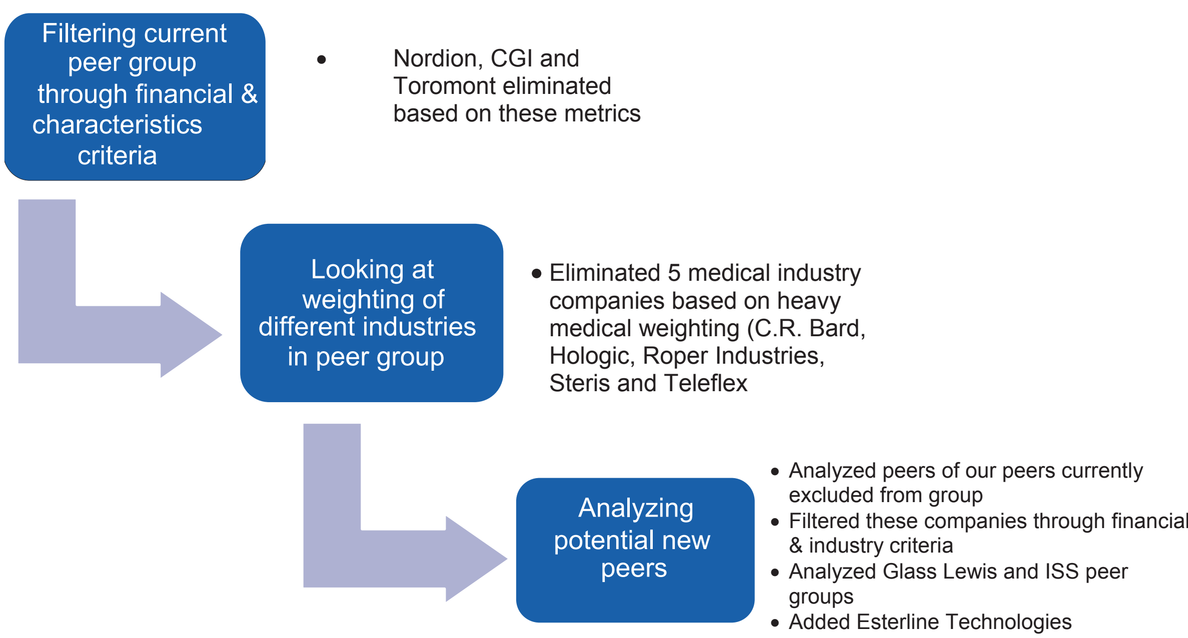
	Canadian Comparator Group		US Comparator Group		Combined Comparator Group	
	Revenue[1]	Market Cap[1]	Revenue[1]	Market Cap[1]	Revenue[1]	Market Cap[1]
P25	$1,495M	$2,211M	$1,863M	$2,785M	$1,586M	$2,710M
Median	$1,704M	$2,796M	$2,225M	$4,242M	$2,137M	$3,730M
P75	$3,538M	$5,091M	$3,016M	$8,273M	$3,278M	$8,050M
CAE	**$2,105M**	**$3,658M**	**$2,105M**	**$3,658M**	**$2,105M**	**$3,658M**
Position	P53	P71	P40	P38	P45	P49

[1] **Based on the most recent annual reports at the time of the benchmarking.**

NEW

Comparator Group for FY2016

In the spirit of sound governance and best practices, in February 2015, changes to the comparator group were approved by the HRC for benchmarking purposes for pay levels for FY2016 and performance as at end of FY2015. In summary, the changes consisted of streamlining our current comparator group by moving from a 35-company size group to 28. This was achieved by:



SECTION 7
EXECUTIVE COMPENSATION

COMPENSATION POLICY AND OBJECTIVES

CAE's executive compensation consists of five main elements: base salary, short-term incentive bonus, long-term incentives (restricted share units, performance share units and stock options), pension and perquisites and other benefits. The table below illustrates CAE's compensation policy. Total target compensation is positioned at the median of comparator group companies but paying up to the 75th percentile for superior performance.

Table: Compensation Policy Summary

	Form	Plan Highlights	Plan Objectives	Policy
Base salary	▪ Cash	▪ Fixed rate of pay ▪ Annual review	▪ Provide a base of regular income to attract and retain qualified leaders ▪ Recognize scope and responsibilities of the position as well as the experience of the individual ▪ Reward individual performance	▪ Set at 50th percentile of comparator group of companies
Short-term incentive (STIP)	▪ Cash	▪ Annual award based on corporate and, where appropriate, business unit metrics (75%) and personal objectives (KPIs) (25%) for the CEO and his direct reports ▪ For other eligible employees, annual award based on corporate and business unit metrics multiplied by individual performance multiplier	▪ Reward the achievement of the company's performance metrics ▪ Reward the achievement of personal objectives aligned with individual's area of responsibility and role in realizing operating results ▪ Drive superior individual and corporate performance	▪ Set at the 75th percentile of comparator group companies for superior performance
Long-term incentive	▪ Performance-based share units (50% weight) ▪ Stock options (30% weight) ▪ Restricted share units (20% weight)	▪ LTIP value is awarded in different mid to long-term compensation vehicles with both time vesting and achievement of longer-term financial objectives ▪ Changes were made to the LTIP for the grants made in May 2014	▪ Align management's interests with Shareholder value growth ▪ Reward the achievement of sustained market performance ▪ Recognize individual contribution and potential ▪ Attract and retain key talent	▪ Set at the 75th percentile of comparator group companies for superior performance
Pension	▪ Monthly pension in cash at retirement	▪ Registered Defined Benefit Plan for named executives representing 2% of average 5 best years earnings (salary plus bonus), multiplied by pensionable service ▪ Supplementary Plan offered to named executives for pension rights exceeding limits for registered plans	▪ Support retention of key executives	▪ Set at the 50th percentile of comparator group companies

	Form	Plan Highlights	Plan Objectives	Policy
Perquisites and other benefits	▪ Employee Stock Purchase Plan (ESPP)	▪ ESPP: Employees and officers may purchase CAE Shares up to 18% of base salary ▪ CAE contributes 50% on employee contributions, to a maximum of 3% of base salary	▪ Provide executives with a share ownership building vehicle	▪ Set to be market competitive
	▪ Perquisites: including but not limited to car benefits, club membership, home office, personal legal and tax advice and Health Spending Account		▪ Provide executives with perquisites that are typical for senior positions	▪ Set to be market competitive

Base salaries

Recognize scope, responsibilities, experience and individual performance

The base salaries of the executives of CAE are positioned at the median of the comparator group of companies. While an executive's salary is generally targeted at a specific range around the median level, such salary may vary depending on the individual's performance and level of experience. Base salaries are reviewed by the HRC annually, taking into account individual achievements, general performance, benchmark information and market conditions.

Annual short-term incentive awards

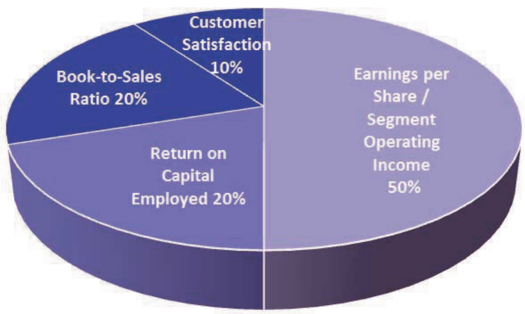
Motivate the achievement of specific financial and operational results

The short-term incentive award (**"STIP"**) provides for an annual cash bonus for executives and management based on CAE's consolidated performance, and individual achievement (KPIs for CEO and his direct reports). Group Presidents' STIP awards are also based on their business unit's performance. Financial targets and KPIs are established by the Board of Directors for the CEO at the beginning of each fiscal year; the same financial targets apply for the STIP globally. For FY2015, financial and non-financial targets were specifically on the following four metrics: Earnings per Share (**"EPS"**[1]), Book-to-Sales ratio[2], Return on Capital Employed (**"ROCE"**[3]) and Customer Satisfaction. Segment Operating Income ("**SOI**") replaces EPS at the business unit level. The combination of financial and customer satisfaction metrics at the corporate and business unit levels ensures all executives are accountable for CAE being a "Partner of Choice".

[1] EPS represents net earnings of the Corporation divided by the number of non-diluted outstanding Common Shares.
[2] Book-to-Sales represents the order intake divided by the revenue.
[3] ROCE represents the net income to equity holders excluding financing expense, net of tax divided by the average capital employed.

KPIs for the CEO and his direct reports are quantifiable and/or qualitative performance targets set for reporting business units as well as for corporate functions. These relate to, amongst others, quality measures, customer experience, operational efficiency, technology enhancements, risk management, and leadership development and employee engagement.

For FY2015, the split between corporate metrics and KPIs for all NEOs was 75% and 25% respectively. Of the 75% representing corporate (and business unit if applicable) metrics, the weight of each individual metric is as follows:



Why use EPS?
Intended to keep management focused on earnings per share achievement. In the case of business unit targets, Segment Operating Income ("SOI") replaces EPS for profitability measurement, focusing the business unit Group Presidents on the achievement of results directly under their span of control as well.

Why use Book-to-Sales Ratio?
Demonstrates the level of growth in sales for the company's products and services. Ratios over 1.0 show increasing demand and is a good indicator of future growth for the company.

Why use ROCE?
ROCE is a measure that is used to quantify the value that is generated by our assets. It demonstrates the profitability that is generated by the investments made by the company, such as capex, R&D, etc.

Why use Customer Satisfaction?
In support of CAE's "Partner of Choice" value proposition. Critical in ensuring sustained and continued business with CAE's clients, thus further strenghtening the company's market leader position for the future.

For NEOs with corporate-wide responsibilities, corporate metrics are 100% based on consolidated corporated results. For Group Presidents, metrics are 50% based on consolidated corporate results and 50% based on their respective business unit results.

Short-term incentives are paid in the form of cash bonuses based on a percentage of salary and vary depending on the level of responsibility. Actual bonus awards can reach up to two times target levels depending upon the achievement of the previously noted performance metrics and personal objectives. Bonus payments for the CEO and his direct reports are approved by the HRC, and by the Board in the case of the CEO, following a review at year end that considers overall corporate and individual performance and other factors.

Overall corporate financial performance limits

The table below outlines target and maximum short-term incentive levels by position:

	STIP Range as a % of base salary	
Position	Target	Maximum
President & CEO	100%	200%
Group Presidents and CFO	65%	130%
Senior Vice-President	45%	90%

In accordance with the terms of the STIP, the overall corporate performance multiplier is limited to 100% if the EPS result does not meet the target approved by the Board of Directors.

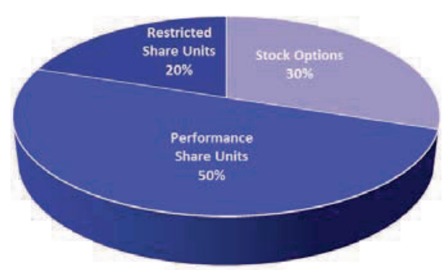
Long-term incentive awards

Align management's interests with share price growth and reward sustained market performance

The Long-Term Incentive Program (**"LTIP"**) is designed to reward executives for their contribution to the creation of shareholder value. These awards are considered annually as part of the total compensation review. The value of the long-term incentive award varies according to the level of responsibility and is awarded within the range detailed below, based on each executive's performance as assessed by the HRC and the Board.

	LTIP Range as a % of base salary	
Position	Minimum	Maximum
President & CEO	250%	350%
Group Presidents and CFO	100%	250%
Senior Vice-President	40%	150%

For FY2015, CAE's Long-Term Incentive Program was comprised of performance share units ("PSUs"), stock options and restricted share units ("RSUs"). All NEOs were eligible for an annual grant under each of these plans, and awards were allocated as follow:



Stock Options

The plan permits stock option grants having a term of up to ten years. However, options issued starting with FY2012 have a term of seven years. In prior years, the option term was six years. Vesting is incremental in 25% tranches, starting on the first anniversary date of the grant.

The number of options issued to each NEO varies as a percentage of the executive's base salary divided by the fair value of an option at that time which is determined by applying the Black-Scholes option-pricing valuation methodology using a three-year average value to adjust for volatility.

Under the terms of the Employee Stock Option Plan (**"ESOP"**), the exercise price of the stock options is equal to the weighted average price of the Common Shares on the TSX on the five trading days immediately preceding the day on which the options are granted. During FY2015, stock options were granted to the NEOs and other key employees of CAE and its subsidiaries. The number of outstanding options as well as the other elements of the Long-Term Incentive Program are taken into account by the HRC in determining how many new options may be granted in a fiscal year.

As of June 10, 2015, the ESOP provides for the issuance of a maximum of 7,462,544 Common Shares upon exercise of options granted under it, of which 1,936,028 have not yet been used as option grants (representing about 0.72% of all issued and outstanding Common Shares on such date). An ESOP participant may not hold options on more than 5% (on an undiluted basis) of the issued and outstanding Common Shares from time to time. The number of Common Shares issued to insiders of CAE at any time under all security-based compensation arrangements cannot exceed 10% of the issued and outstanding Common Shares. The ESOP permits, at the discretion of the HRC, the surrender and cancellation without re-issue of an in-the-money option for cash equal to the fair market value of the share underlying the option less the option exercise price, in lieu of the share itself. Options are not transferable or assignable otherwise than by will or by operation of estate law.

The ESOP defines a change of control of CAE as being a change in the beneficial ownership or control over the majority of the Shares of CAE or the sale of all or substantially all of CAE's assets. In such circumstance, accelerated vesting of all options issued under the ESOP would occur.

The ESOP provides that its terms, as well as those of any option, may be amended, terminated or waived in certain stated circumstances. The ESOP specifies in what situations Shareholder approval is required for certain types of amendments to the ESOP. Additionally, the HRC has the authority, in accordance with and subject to the terms of the ESOP, to amend, suspend or terminate the ESOP or any option granted under the ESOP without obtaining Shareholder approval in order to:

(a) (i) amend any terms relating to the granting or exercise of Options, including the terms relating to the eligibility for (other than for non-executive Directors) and limitations or conditions on participation in the Plan, the amount and payment of the Option Price (other than a reduction thereof) or the vesting, exercise, expiry (other than an extension of the Termination Date except as contemplated in Section 6.06(4) of the Plan), assignment (other than for financing or derivative-type transaction purposes) and adjustment of Options, or (ii) add or amend any terms relating to the provision of financial assistance to Optionees, or of any cashless exercise features;

(b) amend the Plan to permit the granting of deferred or restricted share units under the Plan or to add or amend any other provisions which result in participants receiving securities of the Corporation while no cash consideration is received by the Corporation;

(c) make changes that are necessary or desirable to comply with applicable laws, rules or regulations of any regulatory authorities having jurisdiction or any applicable stock exchange;

(d) correct or rectify any ambiguity, defective provision, error or omission in the Plan or in any Option or make amendments of a "housekeeping" nature;

(e) amend any terms relating to the administration of the Plan; and

(f) make any other amendment that does not require Shareholder approval by virtue of the Plan, applicable laws or relevant stock exchange or regulatory requirements;

provided such amendment, suspension or termination (i) does not adversely alter or impair any previously granted option without the Optionee's consent and (ii) is made in compliance with applicable laws, rules, regulations, by-laws and policies of, and receipt of any required approvals from, any applicable stock exchange or regulatory authorities having jurisdiction.

The ESOP provides for an option expiration date that, if the option expires during a CAE-imposed blackout period or within nine days thereafter, the term of the option may be the later of the original fixed expiration date, or 10 trading days after the date the blackout period ends if the original expiration date falls within, or within nine days after, a blackout period.

Equity compensation plan information

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Percentage of CAE's Outstanding Share Capital Represented By Such Securities	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in 1st Column)	Percentage of CAE's Outstanding Share Capital Represented By Such Securities
Employee Stock Option Plan	5,027,316	1.88%	$11.46	3,580,703	1.34%

The above chart is based on March 31, 2015 information. As of that date, the weighted average remaining contractual life for the outstanding options was 4.36 years. CAE's only equity compensation plan is its Shareholder-approved ESOP.

CAE's burn rate in FY2015 – the ratio of options granted vs CAE's issued and outstanding Shares – was 0.54%.

NEW

LTIP Design for FY2015

In a continuous effort to closely tie our pay to performance and align our compensation to our evolving strategy and results, we have made the following changes to our long-term incentive plan, starting in FY2015:

- **We moved from relative TSR Performance-based Restricted Share Units to strategic plan EPS Performance-Based Units ("PSUs")**. The change in performance measure is designed to increase focus and alignment with the Company strategy which has been reviewed and approved by the Board. Although some stakeholders may initially favor relative instead of absolute performance, we moved away from the relative TSR because we believe that measuring our EPS performance against our EPS targets which were set above expected industry trends is in the best interests of our shareholders. Finally, by using EPS as the single performance metric, we hold our executives accountable to deliver the profitability we aim for.

- **We reduced the weighting of Stock Options in the LTIP from 40% to 30% and increased the PSUs from 40% to 50%**. We reviewed the weightings to be in line with our desire to pay for performance. This change is also aligned with market practices of reducing the number of stock options and increasing the performance-based awards.
- **We replaced the LTUs with time-vesting Restricted Share Units ("RSUs") with a weighting of 20%.** We moved away from LTUs and replaced them with time-vesting RSUs in an effort to provide retention with the three-year cliff vesting without the unfavorable aspect of the LTUs to payout only when the executive exits the company. Again, this change is in line with market practices as LTUs are rarely present in executives' long-term incentive compensation.

We feel that the above-mentioned changes strike a good balance with retention, pay-for-performance as well as medium to long-term focus all being achieved through the mix of LTIP components and features.

Performance Share Unit Plan

In FY2015, CAE adopted a Performance Share Unit Plan ("**PSUP**") for executives and senior management of CAE and its subsidiaries. The PSUP helps ensure that CAE executives' long term incentive compensation includes an element directly based on the achievement of the strategic plan.

Determination of the number of Performance Share Units ("**PSUs**") to be granted to a participant is made by dividing the dollar value of the PSU grant (a percentage of the participant's base salary) by the weighted average market price of the Common Shares on the TSX on the five trading days preceding the date of grant approval. A PSU is equal in value to one Common Share of CAE. PSUs are granted for a three-year period and vest according to time and achievement of performance criteria for such period.

PSUs vest at the end of three years, provided the participant is still employed by the company on the third anniversary of the grant, subject to the EPS result for the year ended on March 31st immediately preceding the anniversary date.

Based on the EPS result and the EPS payout grid approved by the Committee in respect of the original grant, the target rate of granted units will be multiplied by a factor of 0% to 200%. PSUP participants are entitled to receive their vested PSUs at the average fair market value for the 20 trading days preceding the final vesting date of the grant.

Restricted Share Unit Plan

In FY2015, CAE adopted a time-based Restricted Share Unit Plan ("**RSUP**") for executives and senior management of CAE and its subsidiaries. Determination of the number of Restricted Share Units ("**RSUs**" or "**time-RSUs**") to be granted to a participant is made by dividing the dollar value of the RSU grant (a percentage of the participant's base salary) by the weighted average market price of the Common Shares on the TSX on the five trading days preceding the date of grant approval. A RSU is equal in value to one Common Share of CAE. RSUs are granted for a three-year period and vest on the third anniversary of the grant based on the participant's continued employment with CAE until that time. RSUP participants are entitled to receive their vested RSUs at the average fair market value for the 20 trading days preceding the final vesting date of the grant.

Inactive equity-based plans with legacy participants

Some NEOs have outstanding participation in the four following compensation plans which are no longer active (no further awards are made under the plans) but have yet to be fully paid out.

Fiscal 2005 Deferred Share Unit Plan

CAE adopted a Long-Term Incentive Deferred Share Unit Plan (**"LTUP"**) in FY2005 that, as amended from time to time, applies to all grants made thereafter.

A Deferred Share Units (**"LTUs"**) grant vests in 20% increments over five years, commencing one year after the date of grant. LTUs accrue dividend equivalents payable in additional units in amounts equal to dividends paid on Common Shares. LTUs are only redeemable in cash, following the unit holder's retirement or termination of employment. No LTUs have been granted by CAE after FY2014.

Fiscal 2004 Deferred Share Unit Plan

In FY2004, CAE adopted a Long-Term Incentive Deferred Share Unit Plan (**"FY2004 LTUP"**) for executives of CAE and its subsidiaries to partially replace the grant of options under CAE's ESOP. No FY2004 Long-Term Incentive Deferred Share Units (**"FY2004 LTUs"**) have been granted by CAE since FY2004. All FY2004 LTUs are fully vested for remaining plan participants. FY2004 LTUs accrue dividend equivalents payable in additional units in amounts equal to dividends paid on Common Shares. FY2004 LTUs are only redeemable in cash, following the unit holder's retirement or termination of employment.

Deferral of cash incentives

CAE had a Deferred Share Unit Plan (legacy **"DSUP"**) for executives under which an executive elected to receive cash incentive compensation in the form of Deferred Share Units (legacy **"DSUs"**). A DSU is equal in value to one Common Share of CAE. The units were issued on the basis of the average closing board lot sale price per share of Common Shares on the TSX during the last 10 days on which such shares traded prior to the date of issue. The DSUs also accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Common Shares. Upon or within a defined period following termination of their employment, DSU holders are entitled to receive the fair market value of the equivalent number of Common Shares.

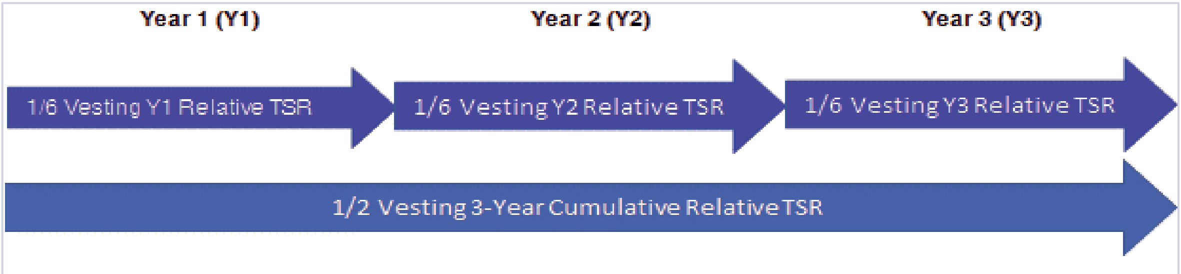
Fiscal 2010 Restricted Share Unit Plan

In FY2010, CAE adopted a performance-based Restricted Share Unit Plan (**"FY2010 RSUP"**) for executives and senior management of CAE and its subsidiaries.

A Restricted Share Unit (**"FY2010 RSUs or performance-RSUs"**) is equal in value to one Common Share of CAE. FY2010 RSUs were last granted by CAE in FY2014 for the three-year period FY2014 to FY2016. FY2010 RSUs vest according to time and achievement of performance criteria for such period.

FY2010 RSUs vest over the three years as follows, provided the participant is still employed by the company on the third anniversary of the grant:

1. A target rate of 1/6th of the granted units for each of the three years subject to the attainment (or not) of the TSR Relative Performance (shown below) for each of the three years; and
2. A target rate of 1/2 of the granted units at the end of the third year subject to the attainment (or not) of the TSR Relative Performance over the three-year period.



The TSR Relative Performance means relative annual performance of CAE's Total Shareholder Return vs. the Total Shareholder Return of the Standard and Poor's Aerospace and Defence Index (**"S&P ADI"**) for the given period. Depending on the TSR Relative Performance, the target rate of granted units will be multiplied by the factors indicated in the following table:

Annual TSR Relative Performance	Factor
1st Quartile (0-25th percentile)	0%
2nd Quartile (26th – 50th percentile)	50% - 98%
3rd Quartile (51st – 75th percentile)	100% - 148%
4th Quartile (76th – 100th percentile)	150%

Vesting between the S&P ADI Performance quartiles is pro-rated on a linear progression from 50% to 150% for performance commencing in the second quartile and until reaching the fourth quartile. FY2010 RSUP participants are entitled to receive their vested FY2010 RSUs at the average fair market value for the 20 trading days preceding the final vesting date of the grant.

Pension, benefits and perquisites

Pension benefits

Promote long-term employment with the company

In Canada, eligible employees participate in the Retirement Plan for Employees of CAE Inc. and Associated Companies. Vice President level and higher executives participate in the Pension Plan for Designated Executive Employees of CAE Inc. and Associated Companies (the **"Designated Pension Plan"**), and in the Supplementary Pension Plan of CAE Inc. and Associated Companies (the **"Supplementary Pension Plan"**). The Designated Pension Plan is a defined benefit plan to which CAE and, starting in FY2014, participants contribute. Pensions payable under the Supplementary Pension Plan are paid directly by CAE. See **"Executive Compensation – Pension Plan Benefits"** for details about the value of the accrued benefit to each of the NEOs. Except as discussed in **"Change in Control Contracts"** below, CAE does not typically grant extra years of credited service under its pension plans. Receipt of pension benefits under the Supplementary Pension Plan is conditional upon compliance with a non-competition and non-solicitation clause.

Employee Stock Purchase Plan

Provide employees with a share ownership building vehicle and a savings vehicle beyond the pension plan

Under the CAE Employee Stock Purchase Plan, employees may make a contribution towards the purchase of Common Shares of up to 18% of their base salary. Under the plan, CAE makes a matching contribution on the first $500 contributed and contributes $1 for every $2 on additional employee contributions, to a maximum contribution match of 3% of the participant's base salary.

Change in control contracts

Safeguard the company's normal course of business in case of change in control

Five executives (all NEOs) are entitled to termination of employment benefits following a change of control of CAE where the executive's employment is terminated without cause within two years following the change of control. See **"Executive Compensation – Termination and Change of Control Benefits"** for a summary of the impact of various events on the different compensation programs for the NEOs and details about the approximate incremental value that could be realized by a NEO following termination or a change of control event.

Perquisites

Provide executives with perquisites that are typical for senior positions

Flexible perquisites give executives a cash allowance to provide for certain benefits, including car benefits, club membership, home office, personal legal and tax advice and a health care spending account. Such allowance is payable upon submission of receipts only and is capped at predetermined levels.

EXECUTIVE SHARE OWNERSHIP REQUIREMENTS

Under CAE's share ownership policy, each key executive is expected to own a minimum number of Common Shares and/or units under the DSUP and/or LTUP. The value of the required holding in Common Shares and/or units under the DSUP and LTUP represents:

- 500% of the CEO's base salary,
- 250% of base salary for the Group Presidents and the CFO; and
- 200% of base salary for other executives reporting directly to the CEO.

The required holding may be acquired over a five-year period from the date of hire or promotion into the executive position. Since February 2014, the share ownership requirements are to be tested on a monthly basis until the requirement is met. At the time the required share ownership value is reached, the minimum number of shares/units to be held by the executive is locked-in and the executive is required to hold at least this number of shares/units until retirement or termination of employment.

In addition, for each option exercise, the CEO has agreed to, and the Group Presidents and CFO must, retain ownership or control over CAE Shares for a value equal to 25% of the net profit realized on such option exercise for the duration of their employment with CAE. This policy encourages all key executives to hold a meaningful ownership interest in CAE to further align management and Shareholder interests.

As of March 31, 2015, all of the NEOs held CAE Shares and/or units under the DSUP and/or LTUPs valued in excess of the ownership policy except for Mr. Colabatistto, who is in the process of acquiring his share ownership amount. The table below sets forth the minimum number of shares/units to be held for NEOs who have already met the requirement as well as the required value in dollars to meet the ownership guidelines.

NEO	Ownership Status	Target Date	Minimum number of DSUs/Shares to be held once requirement met (#)	Value Required [1] to meet Guidelines ($)	% completion to meet guidelines SOG (%)
M. Parent	Already Met	n/a	286,858	4,300,000	100%
S. Lefebvre	Already Met	n/a	61,708	925,000	100%
N. Leontidis	Already Met	n/a	65,044	975,000	100%
G. Colabatistto	In progress	June 2017	n/a	1,058,000	92%
H. Paterson	Already Met	n/a	48,033	720,000	100%

[1] If requirement already met, value that was required at the later of: February 2014 (date at which SOGs started to be tested monthly) or the time the NEO met the ownership requirements.

Risk Mitigation

The HRC and the Board of CAE believe that executive compensation should be contingent on performance relative to pre-established targets and objectives. Also, management must achieve targets and objectives in a manner consistent with legal standards, as well as CAE's ethical standards and internal policies. The HRC and the Board regularly review the company's compensation policies and practices to ensure that they do not encourage inappropriate risk-taking. The following caracteristics of our compensation program in FY2015 were identified as having risk-mitigating effects:

- **Our mix of short, medium and longer-term compensation** encourages CAE executives to take a balanced view and mitigates against excessive risk-taking or overly conservative behaviour.
- **Our emphasis on long-term performance**: at target, only 18-22% of a NEO's target total direct compensation is tied to short-term results (annual short term incentive award), while 50-60% is tied to long-term incentives (PSUs, options and RSUs). For the purpose of this paragraph, target total direct compensation is defined as the sum of base salary, target STIP and target LTIP.
- **Our cap on NEO annual short-term incentive awards** is directly linked to, and determined by, overall corporate financial performance (as measured by the STIP financial targets) and individual performance – so a NEO cannot reap an outsize reward based only on his/her own performance against financial or other targets.
- **Threshold corporate performance level and cap on annual incentive awards** provide that the annual short-term incentive award payout can be zero, if minimum threshold levels of corporate, business unit and individual performance are not met, and is capped at 200% where corporate, business unit and individual performance objectives are exceeded, to prevent excessive payouts and to act as a disincentive against excessive risk-taking.

- **Our clawback policy for our executives** provides that CAE may seek repayment of incentive compensation for years in which financial results are restated as a result of omission, fraud or intentional misconduct.
- The CEO has agreed to, and the CFO and the Group Presidents must, **retain ownership or control over CAE Shares equivalent in value to 25% of the net profits from any option exercise** until their retirement or termination – this reduces the risk of short-term maneuvers designed to temporarily lift the CAE share price to the detriment of sustainable results.
- **CAE's Corporate Policies & Procedures** preclude individual executives from acting unilaterally without approval in the case of material transactions identified in those policies.
- **Our share ownership requirement** for NEOs to own multiples of their annual base salary in CAE Shares (see **"Executive Share Ownership Requirements"** above for details) – discourages excessive short-term risk-taking given the executives' exposure to the longer-term CAE share price movements through both their direct ownership and the LTIP elements they hold.

After considering the overall compensation program and taking into account both its knowledge of the past performance of the CAE management team and the nature of CAE's various businesses, the HRC is not aware of any risks arising from CAE's compensation policies and practices that would be reasonably likely to have a material adverse effect on CAE.

DETERMINATION OF THE NEOS' COMPENSATION IN FY2015

Base Salary

The salaries of the CEO and other NEOs are determined in accordance with CAE's salary philosophy and policy, and are reviewed and approved, in the case of the CEO, annually by the independent members of the Board of Directors. The HRC reviews benchmark data to ensure that the CEO's and his direct reports' total direct compensation (base salary, short-term and long-term incentives, and other compensation) is in line with CAE's compensation philosophy.

Short-Term Incentive Plan – Corporate and Individual performance

75% of short-term incentive awards for the CEO and other NEOs with corporate-wide responsibilities was based on the achievement of corporate performance metrics, namely EPS, Book-to-Sales Ratio, ROCE and Customer Satisfaction, as detailed under **"Annual Short-Term Incentive Awards"**. As for Group Presidents, 37.5% of short-term incentive awards was based on the achievement of corporate performance metrics as described previously, and 37.5% of short-term incentive awards was based on their respective business unit performance metrics, which were the same as corporate performance metrics to the exception of EPS replaced with Segment Operating Income. Having every NEO's annual incentive evaluated on the same performance metrics reinforces the team work amongst our executive team and motivates them to achieve widespread success for the whole organization.

The table below illustrates the respective weights given to each FY2015 corporate performance target, as well as the actual results and payout levels.

	WEIGHTING	THRESHOLD	TARGET	MAXIMUM	ACHIEVED	PAYOUT LEVEL
BONUS PAYOUT		0%	100%	200%		
EARNINGS PER SHARE[1]	50%	$0.72	$0.78	$0.84	$0.76	67%
BOOK-TO-SALES RATIO	20%	0.99	1.05	1.11	1.05	100%
RETURN ON CAPITAL (ROCE)	20%	9.85%	10.85%	11.85%	10.39%	54%
CUSTOMER SATISFACTION	10%	*Various Customer Satisfaction Indices*				111%
WEIGHTED AVERAGE STIP PAYO						**75%**

1 If the EPS target is not met, the corporate performance multiplier is capped at 100%.

The business unit performance metrics for the Group Presidents consisted of stretch targets with respect to Segment Operating Income, Book-to-Sales Ratio, ROCE and Customer Satisfaction. Actual targets are not disclosed given the sensitive competitive nature of this information. The Civil business unit partially achieved or exceeded two of the four targets, resulting in a 47% payout level . The Defence & Security business unit partially achieved, achieved or exceeded three of the four targets, resulting in a 83% payout level.

The remaining 25% of the NEOs' annual incentive is awarded based on them achieving their business unit or function pre-determined objectives. As with other performance measures, their achievement is translated into an individual multiplier that is between 0% and 200%. For FY2015, the individual performance multiplier for the CEO was 200% while the average multiplier for other NEOs was 127.5%. The HRC determined the CEO's individual performance multiplier and reviewed and approved the CEO's recommendations on the individual performance multiplier for his direct reports following a detailed discussion of corporate and individual performance (described in detail in the next section).

The table below sets out the bonus targets, maximums and actual payout levels for the NEOs earned for FY2015, expressed as a percentage of salary:

Position	**Target**	**Max**	**Actual Payout Level**
President & CEO	100%	200%	106%
CFO	65%	130%	59%
Group President, Defence & Security	65%	130%	63%
Group President, Civil Simulation Products, Training and Services	65%	130%	46%
General Counsel, CCO & Secretary	45%	90%	39%

During FY2015, Mr. Lefebvre and Mr. Paterson were also awarded a special bonus of $100,000 and $80,000 respectively for their outstanding contribution to a strategic initiative.

Long-Term Incentive Plan

FY2015 LTIP Grants

The table below sets out the LTIP minimums, maximums and actual awards for the NEOs granted for FY2015, expressed as a percentage of salary:

Position	Minimum	Max	Actual Grant
President & CEO	250%	350%	300%
CFO	100%	250%	190%
Group President, Defence & Security	100%	250%	180%
Group President, Civil Simulation Products, Training and Services	100%	250%	200%
General Counsel, CCO & Secretary	40%	150%	100%

FY2012 RSU Payouts

As per the terms of the FY2010 RSUP, the HRC reviewed CAE's performance against threshold and target levels as set out in the Plan. After careful consideration of CAE's performance, the HRC determined that it was appropriate to exercise its judgment and discretion in order to recognize CAE's progress against its strategic plan. The vesting of the three-year TSR Relative Performance period was adjusted upwards to the threshold level (50%). The results of this decision are reflected in the Outstanding share-based awards and option-based awards table on page 68. This decision positively impacted 155 participating employees, including the 5 NEOs, and resulted in a total incremental cost of $1.6 million for CAE.

President and CEO - FY2015 Accomplishments

The CEO's main targets and objectives for FY2015 and related results are set out below:

1. Improve investment returns
    a. Delivered annual revenue increase of 8% to a record $2.2B, while increasing operating profit by 15% year-over-year
    b. Maintained leadership position in key markets and achieved record backlog of $5.4B
    c. Achieved strong order intake in both Civil and Military business units, resulting in Book to Sales ratio of 1.05, despite a globally declining defence spending environment
    d. Strong top and bottom line growth in Healthcare business providing record sales and profitability
    e. Significantly improved returns on underperforming assets in multiple business segments

2. Deliver best-in-class customer experience, commensurate with strategic vision to be "Partner of Choice" of customers
    a. Partnered to achieve landmark Joint Ventures and signed strategic training agreements in the context of being a trusted training partner of choice with key Airline Operators around the world
    b. Demonstrated capabilities as a Military training systems integrator and in distributed mission operations to multiple national defence forces
    c. Healthcare business achieved their largest single order totaling $11M and providing a wide range of products and services
    d. Implemented key milestones in Engineering Technology plan, including on-time delivery of first 7000XR Simulator

3. Improve Health and Safety
    a. Achieved the target of zero major accidents
    b. Recordable accident rate reduced by 10% from FY2014
    c. World-class Health & Safety program developed and implemented across CAE

4. Meet capital allocation priorities
    a. Reduced Net Debt to Total Capital ratio to 36.3%
    b. Reduced overall capital expenditures
    c. Increased dividend by 17%

5. Corporate governance reinforced
    a. Improved robustness of Anti-Corruption Policies and oversight
    b. Implemented enhanced global environmental compliance metrics

The Board reviewed Mr. Parent's achievements against each of these objectives in detail, and considered he had exceeded most of his objectives, as noted above. For FY2015, Mr. Parent received a short-term incentive award of $913,750, based on the corporate financial performance against the short term incentive plan's financial objectives as well as his other accomplishments. The level of achievement was 75% against the short-term incentive plan performance targets, which comprise 75% of his STIP. The Board awarded the CEO a 200% achievement rate on his personal KPIs, which comprise 25% of his STIP. His aggregate incentive payment represented 106.25% of the target bonus. See **"Compensation Discussion and Analysis – Elements of Compensation – Annual Short-Term Incentive Awards"**.

Other NEOs – FY2015 Accomplishments

As previously discussed, this section paints a portrait of the major achievements for FY2015 for each NEO. These were the main key performance indicators (**"KPIs"**) in determining the individual performance multiplier applicable to their annual incentive awards.

Stéphane Lefebvre – Chief Financial Officer

- Personally led efforts to increase our overall cash management, with solid results;
- Continued success in de-leveraging the balance sheet whilst continuing deployment of capital, increasing dividends and maintaining a strong credit rating;
- Played a leadership role in effective tax planning while continuing to build a strong Finance team;
- Strong achievements in IT including the outsourcing of certain IT services and the implementation of project life cycle ORACLE capabilities;
- Significant enhancement of CAE IT security systems through the execution of the IT Systems Security roadmap.

Gene Colabatistto – Group President, Defence & Security

- Exceeded financial objectives for both revenue and segment operating income growth in a challenging Defence environment and improved the return on underperforming assets;
- Developed strong order pipeline and achieved a very strong win rate for submitted bids;
- Developed and implemented a successful “Defence & Security” branding campaign;
- Achieved significant cost savings as well as quality and schedule improvements;
- Demonstrated capabilities as a Military training systems integrator and in distributed mission operations to multiple national defence forces;
- Reorganized the business unit, providing efficiencies and cost reductions as well as introducing strong new talent into the organization.

Nick Leontidis – Group President, Civil Simulation Products, Training and Services

- Delivered strong order intake in products & services despite aggressive competition from large players;
- Maintained strong market share in full-flight simulator (FFS) sales;
- Completed new key joint venture agreements and increased linkages with key partners;
- Substantially improved performance of underperforming assets;
- Improved safety record in our FTO network.

Hartland Paterson – General Counsel, CCO and Secretary

- Strong personal contribution in multiple M&A/joint venture projects which were very complex and time sensitive in nature;
- Successfully supported large increase in business unit sales contracts and business development efforts;
- Further strengthened compliance with anti-corruption, export control and environment policies.

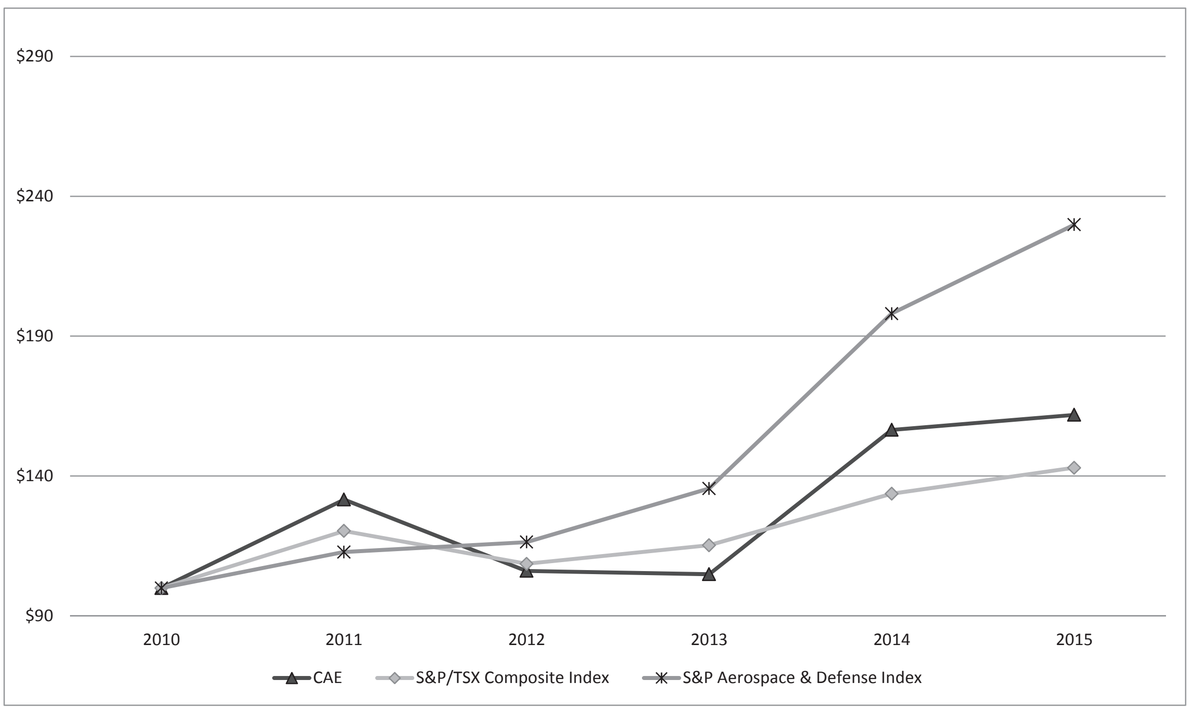
Not all details of NEO targets have been disclosed due to the potential competitive prejudice to CAE of so doing. The NEOs’ performance against their objectives was reviewed by the HRC after the end of FY2015, in addition to having been reviewed by the CEO during the fiscal year.

SHAREHOLDER RETURN PERFORMANCE GRAPH

The following graph compares the cumulative Shareholder return of the Common Shares with the cumulative returns of each of the S&P/TSX Composite Index and the S&P Aerospace & Defence Index for a five-year period commencing March 31, 2010.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN OF CAE INC. VS. S&P/TSX COMPOSITE INDEX AND S&P AEROSPACE & DEFENSE INDEX

	2010	2011	2012	2013	2014	2015
CAE Inc.	**$100**	**$132**	**$106**	**$105**	**$157**	**$162**
S&P/TSX Composite Index	**$100**	**$120**	**$109**	**$115**	**$134**	**$143**
S&P Aerospace & Defence Index	**$100**	**$113**	**$116**	**$136**	**$198**	**$230**

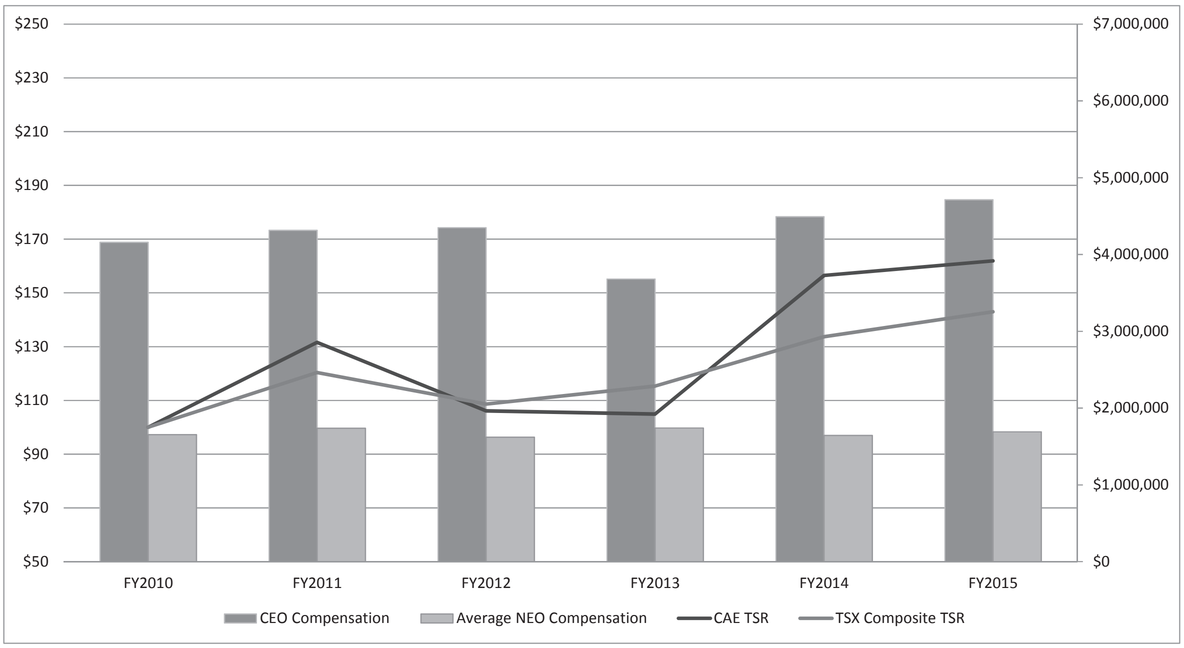


Assumes $100 invested in Common Shares traded on the Toronto Stock Exchange on March 31, 2010. Values are as at the last trading date during the month of March in the specified years and from the S&P/TSX Composite Total Return Index and S&P Aerospace & Defense Total Return Index, which assume dividend reinvestment.

PAY FOR PERFORMANCE LINKAGE

The following chart compares the evolution of CAE's total shareholder return with the evolution of executive compensation (as disclosed in the summary compensation table) for both the CEO and the other named executive officers. The total shareholder return assumes $100 invested in Common Shares traded on the Toronto Stock Exchange on March 31, 2010. Values are as at the last trading date during the month of March in the specified years, which assume dividend reinvestment.

CHANGE IN CEO AND AVERAGE NEO COMPENSATION VS. TOTAL SHAREHOLDER RETURN



The CEOs' and NEOs total compensation is not specifically based on the performance of CAE's Common Shares on the TSX, but rather on the company's financial and operational performance.

Notes:

1. In FY2010, the NEO total compensation includes an overlap period between two CEOs, and the new CEO received a 3-year grant of options, which we have normalized for the purpose of this chart by averaging the value of that grant over its three-year term.
2. In FY2012, the former CFO's compensation was included up to May 26, 2011, excluding his termination benefits.
3. In FY2013, the former Group President, Military, Simulation Products, Training and Services' compensation was included up to September 28, 2012, excluding his 3 additional years of service credited in the Supplemental Pension Plan.

SECTION 7
EXECUTIVE COMPENSATION

Pay for Performance Linkage	2015	2014	2013[1]
Market Capitalization (as of March 31)	$3.945 billion	$3.838 billion	$2.582 billion
Return on equity	13.2%	14.2%	12.9%
Total shareholders average return – three-year compounded annual growth rate	12.4%	3.5%	-1.8%
Diluted earnings per share	$0.76	$0.73	$0.53
Diluted earnings per share excluding restructuring	$0.76	$0.73	$0.73

1 Figures are restated to reflect the adoption of new accounting standards IFRS11 and the amended IAS19.

Given the value and conditions related to the long term incentive awards it takes time to determine the effectiveness of our pay-for-performance approach and the alignment between the NEOs' compensation and the Shareholders' return. The following table compares for each year the NEOs' total compensation, as presented for the past 5 years (or lesser period with CAE) to the actual value realized over time.

NAME AND PRINCIPAL POSITION	YEAR	DISCLOSED COMPENSATION LESS PENSION VALUE[1]	ACTUAL REALIZED COMPENSATION[2]
			at March 31,2015
M. Parent President and Chief Executive Officer	2015	$4,419,854	$5,207,338
	2014	$3,962,819	$5,289,609
	2013	$1,856,373	$930,212
	2012	$2,607,190	$2,405,467
	2011	$2,607,582	$2,921,351
	Total	**$15,453,818**	**$16,753,977**
S. Lefebvre Chief Financial Officer	2015	$1,534,488	$909,416
	2014	$1,349,224	$697,372
	2013	$976,096	$472,017
	2012	$979,543	$754,096
	2011	$461,832	$501,139
	Total	**$5,301,183**	**$3,334,040**
N. Leontidis Group President, Civil Simulation Products, Training and Services	2015	$1,521,480	$948,500
	2014	$1,631,849	$1,172,466
	2013	$917,891	$489,534
	2012	$1,059,153	$924,489
	2011	$1,039,653	$914,568
	Total	**$6,170,027**	**$4,449,556**
G. Colabatistto Group President, Defence and Security	2015	$1,660,048	$922,211
	2014	$1,514,632	$853,914
	2013	$1,242,859	$810,348
	Total	**$4,417,539**	**$2,586,473**
H. Paterson General Counsel, CCO & Secretary	2015	$1,032,067	$804,988
	2014	$832,392	$754,989
	2013	$674,474	$452,238
	Total	**$2,538,932**	**$2,012,215**

1. Sum of base salary, annual incentive paid, all other compensation, and the grant value of Share-based and option-based awards during the fiscal year as disclosed in the Circular.
2. Sum of base salary, annual incentive paid, all other compensation, the payout value of RSUs and the current market value of the vested DSUs associated to the grant awarded for that fiscal year, and the option gain from any option exercise during the period.

NEW

Pay for Performance Relative to Comparator Group

To ensure alignment between pay and performance, the Committee reviews the competitiveness of CAE's CEO compensation in the context of the Company's relative performance across a number of key financial metrics. As shown in the chart below, an analysis of 3-year CEO compensation and CAE's 3-year performance relative to CAE's revised comparator group demonstrates alignment: the percentile rank of CAE's CEO pay (as measured on an "as reported" basis and on a realizable basis) was generally aligned with the Company's percentile rank across five different performance metrics.

The chart below depicts the following:

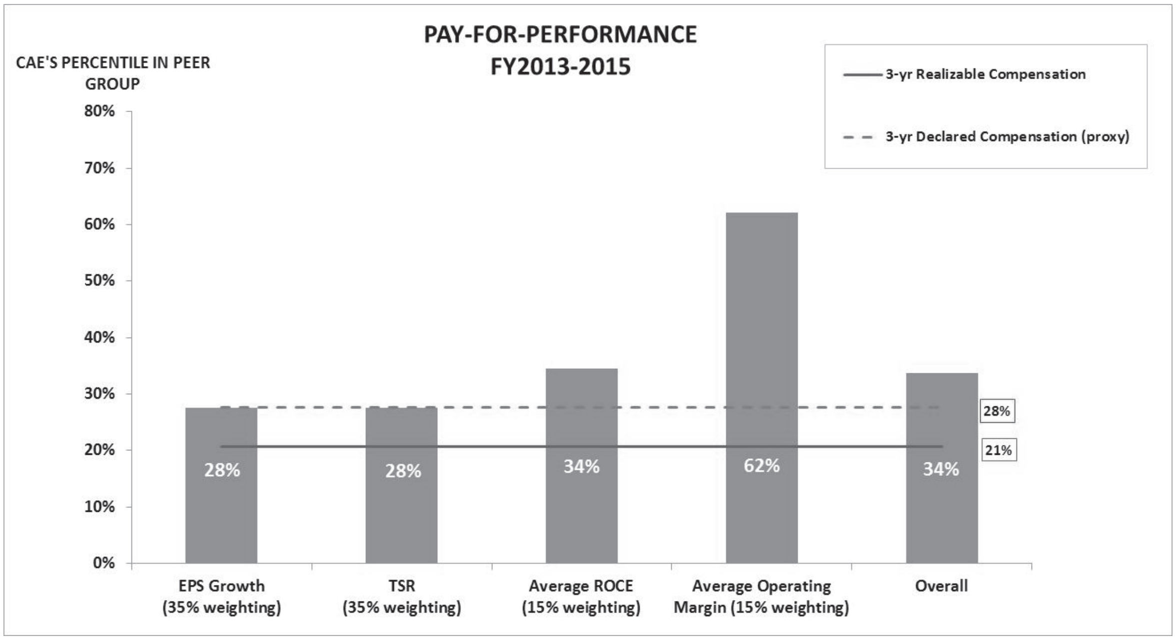
1. The percentile rank of CAE's relative performance on the following metrics (measured over the last 3 fiscal years against the revised comparator group):
   - Earnings per Share (EPS) growth
   - Total Shareholder Return (TSR)
   - Average Return on Capital Employed (ROCE)
   - Average Operating Margin
   - Overall performance - based on the weighted performance of each of these four metrics with weightings of 35%, 35%, 15% and 15% respectively.

2. The percentile rank of CAE on *declared* and *realizable* CEO compensation over the past three fiscal years as defined below.

   3-year Declared Compensation = Total compensation for 3-year period as reported in the summary compensation table, excluding the pension value.

   3-year Realizable Compensation = Cash compensation plus the market value of equity awards earned over the past 3 years. It is equal to the sum of salary, the annual incentive paid, long-term incentives and all other compensation excluding the pension value. Long-term incentive values are based on the following:
   - For time-vested equity: Value of all time-vested awards granted (stock and options) during the measurement period of 3 years valued at the closing price on the last day of the measurement period
   - For performance-based equity: Value of all performance-based awards (regardless of the date it was granted) for which the final performance result was established during the measurement period i.e. it is the value of performance-based awards earned based on the final performance results achieved during the measurement period of 3 years.

The key takeaway from this chart is that over the 3-year period, our CEO's pay, on both the Declared and Realizable pay basis, is aligned with the overall performance of the Company.



Note: CEO compensation for US and Canadian companies were compared at par.

COMPENSATION OF OUR NAMED EXECUTIVEOFFICERS

SUMMARY COMPENSATION TABLE

The first of the following tables provides a summary of compensation earned during the last three fiscal years ended March 31, 2015 by the Chief Executive Officer, the Chief Financial Officer, the three most highly compensated policy-making executives who served as executive officers of CAE or its subsidiaries as at March 31, 2015 (collectively, **"Named Executive Officers"** or **"NEOs"**).

					NON-EQUITY INCENTIVE PLAN COMPENSATION				
NAME AND PRINCIPAL POSITION	Year	Salary	Share-Based Awards[1]	Option-Based Awards[2]	Annual Incentive Plan[3]	Long-Term Incen-tive Plan	Pension Value[4]	All Other Compen-sation[5]	Total Compen-sation
		$	$	$	$	$	$	$	$
M. Parent **President and Chief Executive Officer**	2015	860,000	1,806,112	691,600	913,750	0	293,000	148,392	4,712,854
	2014	854,167	1,319,879	830,496	823,450	0	528,000	134,827	4,490,819
	2013	817,500	926,161	0	0	0	514,000	112,712	2,370,373
S. Lefebvre **Chief Financial Officer**	2015	395,000	532,158	203,840	337,250	0	256,000	66,240	1,790,488
	2014	365,000	436,961	274,782	206,229	0	238,000	66,252	1,587,224
	2013	333,333	386,640	192,400	0	0	222,000	63,723	1,198,096
N. Leontidis[6] **Group President, Civil Simulation Products, Training and Services**	2015	409,500	578,777	221,780	190,112	0	261,000	121,311	1,782,480
	2014	382,750	574,046	353,468	230,051	0	521,000	91,534	2,152,849
	2013	343,750	328,534	163,540	0	0	218,000	82,067	1,135,891
G. Colabatistto[7] **Group President, Defence & Security**	2015	420,167	533,477	204,360	266,140	0	206,000	235,904	1,866,048
	2014	401,667	430,457	270,846	225,737	0	197,000	185,925	1,711,632
	2013	319,375	385,034	287,040	85,000	0	138,000	166,410	1,380,859
H. Paterson **General Counsel, Chief Compliance Officer & Secretary**	2015	373,500	263,587	100,880	226,013	0	297,000	68,087	1,329,067
	2014	335,200	196,421	123,738	122,579	0	147,000	54,454	979,392
	2013	316,667	202,232	100,620	0	0	156,000	54,955	830,474

1 Represents the value of share-based awards granted under the time-based RSUP, the PSUP, the FY2010 RSUP and the LTUP, which is determined based on the grant date fair value of the award in accordance with IFRS2, Share-based Payment. Note that actual value received, if any, will differ. The value of each RSU and FY2005 LTU is based on CAE's weighted average share price on the five trading days immediately preceding the grant date. The value of each PSU is evaluated at target (100%) and is based on CAE's weighted average share price on the five trading days immediately preceding the grant date. The value of each FY2010 RSU is evaluated using stochastics simulations of share price performance, and is based on CAE's closing Share price on the date of grant, depending on the grant's performance criteria, in accordance with the following assumptions. A Monte Carlo simulation is used in order to correctly measure the specific provisions of the FY2010 RSUP. The Monte Carlo method is a well-known and widely-used technique. it is implicit in the Monte Carlo method that the price of a share changes stochastically, meaning by a random process. The model uses the following assumptions:

	2015	2014	2013
Expected volatility CAE	N/A	22.93%	24.75%
Expected volatility index	N/A	17.73%	19.16%
Risk-free interest rate	N/A	1.11%	0.75%
Correlation CAE to index	N/A	0.43	0.40

2 Represents the value of option-based awards granted under the Employee Stock Option Plan, which is determined based on the grant date fair value of the award in accordance with IFRS2. Note that actual value received, if any, will differ. The value of each option is determined using the Black-Scholes model under the following assumptions:

	FY2015 - May	FY2014 – June	FY2014 – May	FY2013 – June	FY2013 – May
Dividend yield	1.61%	1.88%	1.83%	1.64%	1.58%
Expected volatility	22.03%	29.61%	29.88%	33.59%	33.62%
Risk-free interest rate	1.47%	1.42%	1.34%	1.10%	1.31%
Expected option term	5	5	5	5	5
Black-Scholes Value	17.74%	21.63%	22.32%	31.26%	31.26%

3 Represents the Short-Term Incentive Plan bonus earned in each fiscal year and paid in the first quarter of the following year (see "**Short-Term Incentive Plan – Corporate and Individual performance**" in Section 7 for details) . The amount shown for Mr. Colabatistto in 2013 includes a signing bonus in the amount of $85,000 to compensate for forfeiture of compensation at his prior employment. Furthermore, the amount shown in FY2014 includes an amount of $55,000 on his first anniversary date of hire to offset any potential short fall in his long-term incentive program from his previous employer.

4 The pension value shown corresponds to the compensatory value reported in the Defined Benefit Plan Table and includes the service cost and the impact of the increase in earnings in excess of actuarial assumptions.

5 All other compensation comprises other benefit expenses and allowances paid by CAE as follows:

	Automobile Expenses	Health & Insurance Benefits	Other Perquisites	Relocation/ Cost of Living Allocation	Employer ESPP Contributions	Dividend Equivalents	Total
M. Parent	$16,599	$29,792[a]	$8,579	-	$25,800	$67,622	**$148,392**
S. Lefebvre	$17,624	$15,072	$5,782	-	$11,850	$15,912	**$66,240**
N. Leontidis	$28,956	$15,278	$11,022	-	$12,285	$53,770	**$121,311**
G. Colabatistto	$16,956	$16,401	$109,463[b]	$66,000	$12,605	$14,479	**$235,904**
H. Paterson	$20,962	$17,899	$4,480	-	-	$24,746	**$68,087**

a For Mr. Parent, Health and Insurance Benefits include a Health Spending Account of $14,023.

b For Mr. Colabatistto, other perquisites include home office expenses of $16,462 and a tax equalization payment (and associated gross up) of $80,785 resulting from his relocation from the United States to Canada when he joined CAE.

6 Mr. Leontidis was appointed as Group President, Civil Simulation Products, Training and Services as of June 1, 2013. He was previously Executive Vice-President, Strategy and Business Development.

7 Mr. Colabatistto was hired as Group President, Defence & Security as of June 4, 2012. The value of his 2012 option and Share based awards reflects a special grant as of his date of hire distributed as 50% options and 50% LTUs.

INCENTIVE PLAN AWARDS

The following tables provide information relating to each option-based awards and share-based awards outstanding as at March 31, 2015 for each NEO, as well as the value vested or earned during FY2015 in respect of such incentive plan awards.

Share and Option based awards granted in FY2015

The following table details the awards made under CAE's share and option based plans:

NAME	AWARD TYPE	AWARD DATE	NUMBER OF SECURITIES, UNITS OR OTHER RIGHTS	PAYOUT OR EXPIRATION DATE	GRANT PRICE[d]
M. Parent	RSU[a]	21/05/2014	35,200	20/05/2017	$14.66
	PSU[b]	21/05/2014	88,000	20/05/2017	$14.66
	Stock Option[c]	21/05/2014	266,000	20/05/2021	$14.66
S. Lefebvre	RSU[a]	21/05/2014	10,370	20/05/2017	$14.66
	PSU[b]	21/05/2014	25,930	20/05/2017	$14.66
	Stock Option[c]	21/05/2014	78,400	20/05/2021	$14.66
N. Leontidis	RSU[a]	21/05/2014	11,280	20/05/2017	$14.66
	PSU[b]	21/05/2014	28,200	20/05/2017	$14.66
	Stock Option[c]	21/05/2014	85,300	20/05/2021	$14.66
G. Colabatistto	RSU[a]	21/05/2014	10,400	20/05/2017	$14.66
	PSU[b]	21/05/2014	25,990	20/05/2017	$14.66
	Stock Option[c]	21/05/2014	78,600	20/05/2021	$14.66
H. Paterson	RSU[a]	21/05/2014	5,140	20/05/2017	$14.66
	PSU[b]	21/05/2014	12,840	20/05/2017	$14.66
	Stock Option[c]	21/05/2014	38,800	20/05/2021	$14.66

a RSUs awards under the time-based RSUP (see "**Compensation Discussion & Analysis"** in Section 7 for details). Under this plan, 100% of the granted units will vest in May 2017, subject to the participant's continued employment with CAE. Vested RSUs will be paid based on the average share price of the 20 trading days preceding the final vesting date of the grant.

b Performance share units (PSUs) awards under the PSUP (see "**Compensation Discussion & Analysis"** in Section 7 for details). Under this plan, 100% of the granted units may vest in May 2017, subject to CAE's EPS performance and the EPS payout grid approved by the Committee and the participant's continued employment with CAE. Depending on the EPS performance, the target rate of granted units will be multiplied by 0% to 200%. Vested PSUs will be paid based on the average share price for the 20 trading days preceding the final vesting date of the grant.

c Stock options awards under the Employee Stock Option Plan (see "**Compensation Discussion & Analysis"** in Section 7 for details). Under this plan options were granted with an exercise price equal to the weighted average price per Common Share on the TSX on the five trading days immediately preceding the grant date. At each of the first four anniversaries of the grant, 25% of the award vests and becomes exercisable.

d The grant price on grant date is equal to the weighted average price of the Common Shares on the TSX on the five trading days immediately preceding the award.

Outstanding share-based awards and option-based awards

	OPTION-BASED AWARDS				SHARE-BASED AWARDS		
NAME	Number of Securities Underlying Unexercised Options	Option Exercise Price[1]	Option Expiration Date	Value of Unexercised In-the-Money Options[2]	Number of Shares or Units of Shares that have not vested[3]	Market or Payout value of Share-based Awards that have not Vested[4]	Market or Payout Value of Vested Share-Based Awards not Paid Out or Distributed[5]
	#	$		$	#	$	$
M. Parent	266,000	14.66	20/05/2021	31,920			
	337,600	11.02	20/05/2020	1,269,376			
	759,800	7.60	11/08/2015	5,455,364			
Total				**6,756,660**	**210,987**	**3,118,383**	**4,258,216**
S. Lefebvre	78,400	14,66	20/05/2021	9,408			
	111,700	11.02	20/05/2020	419,992			
	74,000	10.20	27/05/2019	338,920			
	40,800	12.65	24/05/2018	86,904			
	12,000	9.55	17/05/2016	62,760			
Total				**917,984**	**76,970**	**1,137,622**	**849,024**
N. Leontidis	85,300	14.66	20/05/2021	10,236			
	64,600	10.77	05/06/2020	259,046			
	82,500	11.02	20/05/2020	310,200			
	31,450	10.20	27/05/2019	144,041			
	43,500	12.65	24/05/2018	92,655			
Total				**816,178**	**91,521**	**1,352,680**	**2,874,111**
G. Colabatistto	78,600	14.66	20/05/2021	9,432			
	110,100	11.02	20/05/2020	413,976			
	119,600	10.04	03/06/2019	566,904			
Total				**990,312**	**89,333**	**1,320,348**	**392,300**
H. Paterson	38,800	14.66	20/05/2021	4,656			
	37,725	11.02	20/05/2020	141,846			
	19,350	10.20	27/05/2019	88,623			
	6,600	12.65	24/05/2018	14,058			
Total				**249,183**	**38,782**	**573,204**	**1,332,820**

1. Pursuant to the terms of the plan, options under the ESOP were granted with an exercise price equal to the weighted average price of the Common Shares on the TSX on the five trading days immediately preceding the day on which the options are granted.

2. Options are in-the-money if the market value of the Common Shares covered by the options is greater than the option exercise price. The value shown is equal to the excess, if any, of the Common Share closing price on March 31, 2015 ($14.78) over the option's exercise price. The actual value realized will be based on the actual in-the-money value upon exercise of the options, if any. The options vest at 25% per year commencing one year after the date of grant.

3. Represents the aggregate number of units that have not met all performance or employment conditions for payment.

4. Payout value is established based on a Common Share closing price on March 31, 2015 ($14.78) for LTUs and for performance-RSUs, time-RSUs and PSUs grants payable in May 2016 and May 2017.

5. Represents the portion of units under the LTUP that are vested at the end of the fiscal year and for which payment is deferred to the termination of employment and the portion of performance-RSUs awarded in the last three fiscal years that have vested based on the one-year TSR Relative Performance of FY2013 (0%),FY2014 (110%) and FY2015 (62%) and the three-year TSR Relative Performance of FY2015 (50%). As a result of the discretion applied by the HRC (see page 57) in respect of the 2012 performance-RSUs, executives were awarded incremental payouts as follows; Mr. Parent $317,132, Mr. Lefebvre $90,480, Mr. Leontidis $76,878, Mr. Colabatistto $0 , and Mr. Paterson $47,306.

Incentive plan awards – value vested or earned during the year

The following table shows the value that was vested or earned by Named Executive Officers during FY2015 in respect of incentive plans.

Name	Option-Based Awards-Value Vested During The Year[1] $	Share-based Awards-Value Vested During The Year[2] $	Non-Equity Incentive Plan Compensation-Value Earned During The Year[3] $
M. Parent	324,940	893,630	913,750
S. Lefebvre	232,616	296,882	337,250
N. Leontidis	308,094	380,703	190,112
G. Colabatistto	243,511	199,906	266,140
H. Paterson	139,933	194,833	226,013

1 This represents the value of potential gains from options that vested during FY2015. These generally include the portion of the options that were awarded in the last four fiscal years that vested in the year. The potential gains are calculated as the excess, if any, of the closing price of Common Shares on each of the option vesting dates in FY2015 over the exercise price. The actual value realized, if any, will differ and will be based on the Common Share price on the actual exercise date.

2 The value of share units that vested during FY2015 is calculated based on the closing price of Common Shares on each of the Long-Term Incentive Deferred Share Units Plan vesting dates and on March 31, 2015, the date of the performance result, for performance-RSUs. These generally include the portion of units under the LTUP that were awarded in the last five fiscal years that vested in the year for which payment is deferred to the termination of employment and the portion of performance-RSUs that will have vested on May 28, 2015 as the performance criteria was met. None of the PSUs or time-RSUs have vested as of March 31, 2015.

3 This represents the value paid to NEOs under the short-term incentive plan for FY2015 year (see "**Short-Term Incentive Plan – Corporate and Individual performance**" in Section 7 for details).

Pension Arrangements

The NEOs and key executives are members of the Designated Pension Plan and the Supplementary Pension Plan. The amounts payable under these arrangements are based on "average annual earnings" which are calculated on the basis of the 60 highest-paid consecutive months of base salary and short-term incentives.

The Supplementary Pension Plan provides a pension benefit upon normal retirement at age 65 so that the total pensions payable under CAE's pension arrangements will result in an annual pension equal to 2% of average annual earnings (being the five-year top average salary and actual short-term incentive compensation for non-CEO NEOs for each year of pensionable service, assuming no limitation on the amount paid from a registered pension plan imposed by Canadian tax legislation). The CEO's short-term incentive compensation used for the purpose of determining his average annual earnings is the target bonus. His maximum annual pension benefit is limited to one million fifty thousand dollars. Executives may retire from the company from age 60 with full pension entitlement. An executive is considered as having retired for the purposes of the Supplementary Pension Plan if, at the time of termination of employment with CAE, he/she is at least age 55 with a minimum of 5 years of participation in the Supplementary Pension

Plan. The benefits listed in the table are not subject to deduction for social security or other offset amounts such as Canada Pension Plan or Québec Pension Plan amounts.

Pensions payable under the Supplementary Pension Plan are paid directly by CAE. CAE is obligated to fund or provide security to ensure payments under the Supplementary Pension Plan upon retirement of the executive. CAE has elected to provide security by obtaining for retired executives letters of credit for a trust fund established for those executives who have retired. CAE has secured certain NEO's and key executives' pension benefits by a letter of credit for a trust fund established for the executives.

CAE does not generally grant extra years of credited service under its pension plans. Receipt of pension benefits under the Supplementary Pension Plan is conditional upon the compliance with a non-competition and non-solicitation clause.

Defined benefit plans table

The following table sets forth the credited years of pensionable service and the present value of the NEOs' accumulated benefits as at March 31, 2015 under the Designated Pension Plan and the Supplementary Pension Plan in connection with retirement.

		Annual Benefits Payable					
Name	Number of years of credited service #	At March 31, 2015 $	At age 65 $	Accrued obligation at start of the year $	Compensatory change[1] $	Non-compensatory change[2] $	Accrued obligation at year-end[3] $
M. Parent	10.17	304,000	723,000	5,343,000	293,000	1,210,000	6,846,000
S. Lefebvre	10.00	93,000	328,000	1,563,000	256,000	514,000	2,333,000
N. Leontidis	15.00	167,000	336,000	2,702,000	261,000	655,000	3,618,000
G. Colabatistto	2.83	30,000	173,000	368,000	206,000	125,000	699,000
H. Paterson	13.42	120,000	236,000	1,761,000	297,000	362,000	2,420,000

1 The change in benefit obligation that is compensatory includes the service cost and the increase in earnings in excess or below what was assumed. The service cost is the estimated value of the benefits accrued during the calendar year.

2 The change in benefit obligation that is not compensatory includes interest cost, change in assumptions and gains and losses other than for a difference in earnings and the decrease in the discount rate used to value the pension plans which increased the accrued obligation.

3 The present values of the accumulated benefits reported in the above table are calculated in accordance with the assumptions used for financial reporting purposes. See Note 14 to CAE's consolidated financial statements for the fiscal year ended March 31, 2015. The total present value of accumulated benefits in our financial statements is calculated in accordance with IFRS.

For additional information about the Designated Pension Plan and the Supplementary Pension Plan, see **"Compensation Discussion and Analysis – Termination and Change of Control Benefits"** below.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Payment entitlements upon termination

The various compensation plans applicable to the NEOs also contain different provisions that apply upon termination of employment or change of control of CAE. CAE does not have a formal policy for providing severance payment in the case of termination of employment but may provide severance payments and benefits as required by law.

CAE is a party to agreements with five executive officers who are the NEOs, pursuant to which such executives are entitled to termination of employment benefits following a change of control of CAE where the executive's employment is expressly or implied (constructive dismissal) terminated without cause within two years following the change of control. In such event, the executive is entitled to 24 months of annual compensation (salary, short-term incentive plan, bonus and benefits, payable as a lump sum), payment for long-term incentive deferred share units, the immediate vesting of supplementary credited service for the purposes of any pension or retirement income plans, vesting of all options which vest within two years from the date of the termination or resignation of the executive and extension of the exercise period for the options to permit the executive to exercise such options within the 24 months from the date of termination or resignation.

The following is a summary of compensation that NEOs are entitled to receive upon the occurrence of specific events of termination.

COMPENSATION PROGRAMS	RESIGNATION AND TERMINATION FOR CAUSE	INVOLUNTARY TERMINATION	RETIREMENT	CHANGE OF CONTROL[1]
Annual Short-Term Incentive	Forfeit	Partial payment based on performance	Partial payment based on performance	Two times the greater of average three-year bonus or target bonus
Stock Options	30 days to exercise vested options	30 days to exercise vested options	Exercise vested options up to expiry date; unvested options continue to vest and must be exercised within 30 days following vesting date	All options become vested

COMPENSATION PROGRAMS	RESIGNATION AND TERMINATION FOR CAUSE	INVOLUNTARY TERMINATION	RETIREMENT	CHANGE OF CONTROL[1]
Performance Share Units	All units are forfeited	Units partially vest at a rate of 1/3 for each full year of employment completed since grant date	All units will be paid out as scheduled subject to performance criteria	Unvested units vest at the greater of 100% and the multiplier resulting from the EPS Performance as of the Change of Control date; all vested units become payable at the closing price on such date
Restricted Share Units from FY2015	All units are forfeited	Units partially vest at a rate of 1/3 for each full year of employment completed since grant date	All units will be paid out as scheduled	Unvested units vest as of the Change of Control date; all vested units become payable at the closing price on such date
Restricted Share Units from FY2010	All units are forfeited	Vested units will be paid out within 20 days	All units will be paid out as scheduled subject to performance criteria	Unvested units vest at the greater of 100% and the multiple resulting from the TSR Relative Performance as of the change of control date; all vested units become payable at the closing price on such date
Deferred Share Units Grants from 04/2004	Vested units are paid out	Vested units are paid out	All units become vested	All units become vested
Supplemental Pension Plan (SPP)	Resignation: If 5 or more years of participation in the SPP, accrued deferred pension at age 65 Termination for cause: No benefits payable from the SPP	If 5 or more years of participation in the SPP, accrued deferred pension benefits at age 65	If age 55 or older with a minimum of 5 years of participation in SPP, immediate monthly pension payable	Immediate vesting and two years of additional service in case of termination[2]
Severance payments	–	Severance amount[3] in case of termination[2]	–	Severance amount[4] in case of termination[2]

1 Change of control is defined in the Change of Control Agreements between CAE and each Named Executive Officer. A change of control may be triggered by a number of events, notably an acquisition by a person of 20% of CAE's voting rights which is accompanied by a change in the composition of the Board, an acquisition by a person of 35% of CAE's voting rights or an acquisition of shares representing half the equity of CAE. Compensation programs have various definitions of change of control events with different impacts on compensation. The provisions illustrated in the above table are for specific events that would provide the maximum benefits to the executives.

2 Pursuant to the Change of Control Agreements between CAE and each Named Executive Officer, following a change of control, termination is defined as an involuntary termination that occurs within the first two years following the change of control.

3 In the event of involuntary termination when severance is payable, it will be determined at the time of termination, taking into consideration the appropriate factors and current state of legislation and jurisprudence. Mr. Parent's severance entitlement on termination of employment other than for cause is two years' salary plus target bonus, benefits and expenses. Mr. Parent would also be entitled to two year's service credited to the Supplemental Pension Plan. The severance amount is undetermined for other NEOs.

4 The severance amount is equal to two times the sum of base salary, target bonus (or actual bonus averaged over the last three years, if greater), and the sum of the value of insurance benefits and perquisites provided to the executive.

In the event of death during active employment with CAE, the executive is deemed to have retired the day before his/her death if he/she was at least age 55, otherwise, he/she is deemed to have terminated his/her employment the day before his/her death.

Amounts payable to NEOs upon specified termination events

The following table sets forth estimates of the amounts payable to each of our NEOs upon specified events, assuming that each such event took place on March 31, 2015. The table does not quantify benefits under plans that are generally available to salaried employees and do not discriminate in favour of executive officers, including the Retirement Plan For Employees of CAE Inc. and Associated Companies, the ordinary DSU plan and the Employee Stock Purchase Plan. In addition, the table does not include the value of outstanding equity awards that have previously vested, such as stock options, which are set forth above in **"Executive Compensation – Incentive Plan Awards"**. For descriptions of the compensation plans and agreements that provide for the incremental payments set forth in the following table, including our change in control agreements, see **"Compensation Discussion and Analysis – Elements of Compensation – Termination and Change of Control Benefits"**.

	M. Parent $	S. Lefebvre $	N. Leontidis $	G. Colabatistto $	H. Paterson $
Involuntary Termination					
Salary/Severance[1]	3,540,000	Undetermined	Undetermined	1,047,420	Undetermined
LTUs	0	0	0	0	0
FY2010 RSUs[2]	0	0	0	0	0
Options	0	0	0	0	0
PSUs	0	0	0	0	0
Time – RSUs	0	0	0	0	0
Supplemental Plan	701,000	0	0	0	0
Total	**4,241,000**	**0**	**0**	**1,047,420**	**0**
Retirement	Not eligible	Not eligible	Not eligible	Not eligible	**Eligible**
LTUs					188,431
RSUs					
Options					
Supplemental Plan					
Total					**188,431**
Termination Following Change in Control					
Salary/Severance	3,540,000	1,396,956	1,464,220	1,496,560	1,160,980
LTUs[3]	497,692	336,349	416,810	521,686	188,431
FY2010 RSUs[4]	799,795	264,759	352,355	260,818	119,028
Options[5]	983,952	515,588	604,375	603,366	249,183
PSUs[4]	1,300,640	383,245	416,796	384,132	189,775
Time – RSUs[4]	520,256	153,269	166,718	153,712	75,969
Supplemental Plan[6]	701,000	174,000	256,000	253,000	224,000
Total	**8,343,335**	**3,224,166**	**3,677,274**	**3,673,274**	**2,207,366**

1. In the event of involuntary termination when severance is payable, it will be determined at the time of termination, taking into consideration the appropriate factors and current state of legislation and jurisprudence. Mr. Parent's severance entitlement on termination of employment other than for cause is two years' salary plus target bonus, benefits and expenses. Mr. Parent would also be entitled to two years' service credited to the Supplemental Pension Plan. Mr. Colabatistto's severance entitlement on termination of employment other than for cause is 18 months' salary plus target bonus.

2. In the event of involuntary termination, termination of employment is deemed to have taken place on March 31, 2015. The FY2010 RSU grants payable in May 2016 would be pro-rated for the number of full years worked from the grant date to the termination date and paid only if the performance criteria are met. As the payment is not accelerated and continues to be subject to performance conditions, as for all other participants, involuntary termination does not give rise to any incremental benefit and no value is presented herein.
3. The LTU value has been calculated by multiplying the number of units that would have vested upon a change of control as of March 31, 2015, and which will be redeemable within the year following the year the executive's employment is terminated. The value was calculated at $14.78, the closing price of CAE Common Shares on March 31, 2015. Note that actual value will differ.
4. FY2010 RSU, time-RSU and PSU value has been established by multiplying the number of units that would have vested upon a change of control as of March 31, 2015 using a closing price of CAE Common Shares of $14.78. Note that actual value will differ.
5. Options' value has been calculated by multiplying the number of options that would have vested upon a change of control as of March 31, 2015 using a closing price of CAE Common Shares of $14.78, less the applicable option exercise price. Note that actual value will differ.
6. The Supplementary Pension Plan benefits set forth for each NEO reflect the incremental value of benefits for each termination event that exceeds the present value of benefits set forth in the **"Pension Benefits"** tables above. While only Mr. Paterson is eligible for retirement, it was assumed for this purpose that each of the other NEOs will retire at the age of 60.

SECTION 8
OTHER IMPORTANT INFORMATION

The management of CAE is aware of no business to be presented for action by the Shareholders at the Meeting other than that mentioned herein or in the Notice of Meeting.

Interest of informed persons in material transactions

No informed person (including any Director or executive officer) of CAE, any proposed Director of CAE, or any associate or affiliate of any informed person or proposed Director, had any material interest, direct or indirect, in any transaction since the commencement of CAE's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect CAE or any of its subsidiaries.

Indebteness of Directors and executive officers

CAE does not offer its Directors or executive officers loans. CAE and its subsidiaries have not given any guarantee, support agreement, letter of credit or similar arrangement or understanding to any other entity in connection with indebtedness of CAE's Directors or executive officers.

Shareholder proposals

To propose any matter for a vote by the Shareholders at an annual meeting of CAE, a Shareholder must send a proposal to the General Counsel, Chief Compliance Officer & Secretary at CAE's office at 8585 Côte-de-Liesse, Saint-Laurent, Québec H4T 1G6 at least 90 days before the anniversary date of the notice for the previous year's annual meeting. Proposals for CAE's 2016 annual meeting must be received no later than March 14, 2016. CAE may omit any proposal from its Proxy Circular and annual meeting for a number of reasons under applicable Canadian corporate law, including receipt of the proposal by CAE subsequent to the deadline noted above.

Request additional information

CAE shall provide to any person or company, upon written request to the General Counsel, Chief Compliance Officer & Secretary of CAE at CAE Inc., 8585 Côte-de-Liesse, Saint-Laurent, Quebec, H4T 1G6, telephone number 514-734-5779 and facsimile number 514-340-5530:

1. one copy of the latest Annual Information Form of CAE together with one copy of any document or the pertinent pages of any document incorporated by reference therein;
2. one copy of the 2014 Annual Report containing comparative financial statements of CAE for FY2014, together with the Auditors' Report thereon and Management's Discussion and Analysis; and
3. one copy of this Circular.

All such documents may also be accessed on CAE's web site (www.cae.com). Additional financial information is provided in CAE's comparative financial statements and Management's Discussion and Analysis, or on SEDAR at www.sedar.com for the most recently completed financial year.

The contents and the mailing of this Circular have been approved by the Board of Directors of CAE.

Hartland J. A. Paterson (*signed*)
General Counsel, Chief Compliance Officer & Secretary

Montreal, Quebec
June 11, 2015

SECTION 9
APPENDIX A – BOARD OF DIRECTOR'S MANDATE

CAE Inc. Board of Directors' responsibilities

CAE's CEO & President and the company's other executive officers are responsible for the management of the Company. The Board is responsible for the stewardship of the Company and for monitoring the actions of, and providing overall guidance and direction to management. In fulfilling its mandate, the Board shall, among other things:

Mandate

The Board shall act in the best interest of the Company.

Committees

The Board will maintain an Audit Committee, a Human Resources Committee and a Governance Committee, each comprised entirely of Independent Directors. The Board may also maintain an Executive Committee. The Board may establish such other committees as it deems necessary or desirable, to assist it in the fulfillment of its duties and responsibilities, with such terms of reference as the Board may determine, and may delegate from time to time to such committees or other persons any of the Board's responsibilities that may be lawfully delegated. The Board shall determine whether Directors satisfy the requirements for membership on each such committee. The independent Directors will periodically, as they see fit, hold meetings without management.

Strategy

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

Corporate governance

Corporate governance issues are the responsibility of the full Board. This includes the disclosure thereof in the Company's annual report and Management Proxy Circular.

The Board periodically reviews a Disclosure Policy for the Company that, inter alia, addresses how the Company shall interact with Shareholders, analysts and the public and covers the accurate and timely communication of all important information. The Company communicates with its stakeholders through a number of channels including its web site, and they in turn can provide feedback to the Company in a number of ways, including e-mail.

The Board, through its Audit Committee, monitors the integrity of the Company's internal controls and management information systems.

The Board, through its Governance Committee, regularly reviews reports on compliance with the Company's Code of Business Conduct and ethical practices.

The Board periodically reviews Company policies with respect to decisions and other matters requiring Board approval.

Audit, finance and risk management

The Board authorizes the Audit Committee to assist the Board in overseeing:

(i) the integrity and quality of the Company's financial reporting and systems of internal control and risk management;
(ii) the Company's compliance with legal and regulatory requirements;
(iii) the qualifications and independence of the Company's external auditors; and
(iv) the performance of the Company's internal accounting function and external auditors.

Succession planning

The Board, with the help of the Human Resources Committee, ensures a succession plan is in place for senior officers of the Company and that it monitors the plan.

Oversight and compensation of management

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

(i) the appointment and compensation of senior officers of the Company at the level of Vice President and above;
(ii) the compensation philosophy for the Company generally;
(iii) the adoption of any incentive compensation and equity-based plans, including stock option, stock purchase, deferred share unit, restricted share unit or other similar plans, in which officers are or may be eligible to participate, and;
(iv) the Company's retirement policies and special cases.

The Board communicates to the CEO and periodically reviews the Board's expectations regarding management's performance and conduct of the affairs of the Company. The Board also periodically reviews the CEO's position description and objectives and his performance against these objectives.

Environmental and safety matters

The Board approves Health & Safety and Environmental policies and procedures and reviews any material issues relating to environmental and safety matters and management's response thereto.

Directors' qualifications, compensation, education and orientation

The Board, through the Governance Committee, develops a process to determine, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities are required for new Directors in order to add value to the Company while ensuring that the Board is constituted of a majority of individuals who are Independent.

The Board, through the Governance Committee, develops a program for the orientation and education of new Directors, and ensures that prospective candidates for Board membership understand the role of the Board and its Committees and the contributions that individual Directors are expected to make, and develops a program of continuing education if needed for Directors.

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

Assessment of board and committee effectiveness

The Board considers recommendations of the Governance Committee for the development and monitoring of processes for assessing the effectiveness of the Board, the Committees of the Board and the contribution of individual Directors, which assessments shall be made annually. These results are assessed by the Chairman of the Board and/or the Chairman of the Governance Committee and are reported to the full Board, which decides on actions deemed necessary, if any. The number of Directors permits the Board to operate in a prudent and efficient manner.

Pension plans

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

Outside advisers

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

SECTION 9
APPENDIX B – AMENDMENTS TO SECTIONS 4.1, 4.12, 5.2, 10.6 AND 10.10 OF THE GENERAL BY-LAW OF CAE INC.

PROPOSED RESOLUTION:

RESOLVED THAT amendments to Sections 4.1, 4.12, 5.2, 10.6 and 10.10 of the General By-law of CAE Inc., a draft of which are set out below in Appendix B, are hereby approved and confirmed as of August 12, 2015.

DRAFT AMENDMENTS TO SECTIONS 4.1, 4.12, 5.2, 10.6 AND 10.10 OF THE GENERAL BY-LAW OF CAE INC.:

Section 4.1 Number of Directors and Quorum.

Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided for in the articles. Subject to the provisions of the Act, the quorum for the transaction of business at any meeting of the board shall consist of ~~the minimum number of directors provided for in the Articles or such greater number of directors as the board may from time to time determine~~ a majority of the directors, and at any meeting of a committee of the board shall consist of a majority of the directors forming the committee. A majority of the directors shall be resident Canadians. The board shall not transact business at a meeting, other than filling a vacancy in the board, unless a majority of the directors present are Canadians, except where:

(a) a Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and

(b) a majority of Canadians would have been present had that director been present at the meeting.

Section 4.12 Votes to Govern.

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairperson of the meeting shall not be entitled to a second or casting vote.

Section 5.2 Transaction of Business.

Subject to the provisions of Section 2.1 above, powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any such committee may be held at any place in or outside of Canada. In the case of a tie vote, the chairperson of a committee shall not have a second or casting vote.

Section 10.6 Quorum.

Subject to the Act, a quorum for the transaction of business at any meeting of shareholders shall be ~~person or~~ two (2) persons present and holding or representing by proxy not less than twenty-five percent (25%) of the total number of issued shares of the Corporation having voting rights at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

Section 10.10 Votes to Govern.

At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairperson of the meeting shall not be entitled to a second or casting vote.

SECTION 9
APPENDIX C – SUMMARY OF THE PRINCIPAL TERMS OF THE RIGHTS PLAN

This summary is qualified in its entirety by reference to the text of the Rights Plan which is available upon request from the General Counsel, Chief Compliance Officer & Secretary of CAE at CAE Inc., 8585 Côte-de-Liesse, Saint-Laurent, Québec H4T 1G6, telephone number 514-734-5779 and facsimile number 514-340-5530. The Rights Plan may also be accessed on CAE's web site (www.cae.com), or on SEDAR at www.sedar.com. Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

Issue of Rights

The Corporation issued one right (a "Right") in respect of each common share outstanding at the close of business on March 7, 1990 (the "Record Time"). The Corporation will issue Rights on the same basis for each common share issued after the Record Time but prior to the earlier of the Separation Time and the Expiration Time (both defined below).

Rights Certificates and Transferability

Before the Separation Time, the Right will be evidenced by certificates for the common shares which are not transferable separate from the common shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the common shares.

Exercise of Rights

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder to acquire one common share for the Exercise Price of $100 (subject to certain anti-dilution adjustments). This Exercise Price is a price in excess of the estimated maximum value of the common shares during the term of the Rights Plan as determined by the Board of Directors.

Upon the occurrence of a Flip-In Event (defined below) prior to the Expiration Time (defined below), each Right (other than any Right held by an "Acquiring Person", which will become null and void as a result of such Flip-In Event) may be exercised to purchase that number of common shares which have an aggregate Market Price equal to twice the Exercise Price of the Rights for a price equal to the Exercise Price. Effectively, this means a shareholder of the Corporation (other than the Acquiring Person) can acquire additional common shares from treasury at half their Market Price.

Definition of "Acquiring Person"

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (defined below) of 20% or more of the outstanding common shares.

SECTION 9
APPENDIX C – SUMMARY OF THE PRINCIPAL TERMS OF THE RIGHTS PLAN

Definition of "Beneficial Ownership"

A person is a Beneficial Owner if such person or its affiliates or associates or any other person acting jointly or in concert:

1. owns the securities in law or equity; and
2. has the right to acquire (immediately or within 60 days) the securities upon the exercise of any convertible securities or pursuant to any agreement, arrangement or understanding.

However, a person is not a Beneficial Owner under the Rights Plan where:

1. the securities have been deposited or tendered pursuant to a take-over bid, unless those securities have been taken up or paid for;
2. by reason of the holders of such securities having agreed to deposit or tender such securities to a take-over bid pursuant to a Permitted Lock-Up Agreement;
3. such person (including a fund manager, trust company, pension fund administrator, trustee or non-discretionary client accounts of registered brokers or dealers) is engaged in the management of investment funds for others, as long as that person:
   a) holds those common shares in the ordinary course of its business for the account of others; and
   b) is not making a take-over bid or acting jointly or in concert with a person who is making a take-over bid; or
4. such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

Definition of "Separation Time"

Separation Time occurs on the tenth business day after the earlier of:

1. the first date of public announcement that a Flip-In Event has occurred;
2. the date of the commencement or announcement of the intent of a person to commence a take-over bid (other than a Permitted Bid or Competing Bid) or such later date as determined by the Board; and
3. the date on which a Permitted Bid or Competing Bid ceases to qualify as such or such later date as determined by the Board.

Definition of "Expiration Time"

Expiration Time occurs on the date being the earlier of:

1. the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
2. the date immediately after the Corporation's annual meeting of shareholders to be held in 2015.

Definition of a "Flip-In Event"

A Flip-In Event occurs when a person becomes an Acquiring Person.

Upon the occurrence of a Flip-In Event, any Rights that are beneficially owned by an Acquiring Person or any of its related parties to whom the Acquiring Person has transferred its Rights will become null and void as a result of which the Acquiring Person's investment in the Corporation will be greatly diluted if a substantial portion of the Rights are exercised after a Flip-In Event occurs.

SECTION 9
APPENDIX C – SUMMARY OF THE PRINCIPAL TERMS OF THE RIGHTS PLAN

Definition of "Permitted Bid"

A Permitted Bid is a take-over bid made by a person (the "Offeror") pursuant to a take-over bid circular that complies with the following conditions:

1. the bid is made to all registered holders of common shares (other than common shares held by the Offeror) on identical terms and conditions;
2. the Offeror agrees that no common shares will be taken up or paid for under the bid for 60 days following the commencement of the bid and that no common shares will be taken up or paid for unless more than 50% of the outstanding common shares held by shareholders other than the Offeror and certain related parties have been deposited pursuant to the bid and not withdrawn;
3. the Offeror agrees that the common shares may be deposited to and withdrawn from the take-over bid at any time before its expiry; and
4. if, on the date specified for take-up and payment, the condition in paragraph (b) above is satisfied, the bid shall remain open for an additional period of at least 10 business days to permit the remaining shareholders to tender their common shares.

Definition of "Competing Bid"

A Competing Bid is a take-over bid that:

1. is made while another Permitted Bid is in existence; and
2. satisfies all the requirements of a Permitted Bid except that the common shares under a Competing Bid may be taken up on the later of 35 days after the Competing Bid was made and 60 days after the earliest date on which any other Permitted Bid or Competing Bid that was then in existence was made.

Definition of "Permitted Lock-Up Agreement"

A Permitted Lock-Up Agreement is an agreement between a person making a take-over bid and one or more shareholders (each a "Locked-up Person") under which the Locked-up Persons agree to deposit or tender their common shares to such take-over bid and which provides:

1. (i) no limit on the right of the Locked-up Persons to withdraw its common shares in order to deposit them to a Competing Bid (or terminate the agreement in order to support another transaction) where the price or value represented under the Competing Bid (or other transaction) exceeds the price or value represented under the original take-over bid; or (ii) limits such right to withdraw its common shares in order to deposit them to a Competing Bid (or terminate the agreement in order to support another transaction) where the price or value represented under the Competing Bid (or other transaction) exceeds the price or value represented under the original take-over bid by as much as or more than an amount specified under the original take-over bid, and the specified amount is not more than 7% of the price or value represented under the original take-over bid, and the Competing Bid (or other transaction) is made for the same number of common shares as the original take-over bid; and
2. for no "break-up" fee or "top-up" fee in excess of the greater of: (i) 2.5% of the price or value payable under the original take-over bid to Locked-up Persons; and (ii) 50% of the amount by which the price or value payable to Locked-up Persons under a Competing Bid (or other transaction) exceeds the price or value payable to Locked-up Persons under the original take-over bid, shall be payable by such Locked-up Persons in the event that the original take-over bid is not successfully completed or if any Locked-up Person fails to tender their common shares under the original take-over bid.

Redemption of Rights

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time before a Flip-In Event occurs at a redemption price of $0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Bid or a bid for which the Board has waived the operation of the Rights Plan.

Waiver

Before a Flip-In Event occurs, the Board may waive the application of the Flip-In provisions of the Rights Plan to any prospective Flip-In Event which would occur by reason of a take-over bid made by a take-over bid circular to all registered holders of common shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other take-over bid made by take-over bid circular to all registered holders of common shares before the expiry of that first bid. Other waivers of the "Flip-In" provisions of the Rights Plan will require prior approval of the shareholders of the Corporation.

The Board may also waive the "Flip-In" provisions of the Rights Plan in respect of any Flip-In Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and has reduced its ownership to such a level that it is no longer an Acquiring Person.

Term of the Rights Plan

Unless otherwise terminated, the Rights Plan will expire on the date immediately after the Corporation's annual meeting of shareholders to be held in 2015.

Amending Power

Except for minor amendments to correct typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change of law, shareholder or rightsholder approval is required for amendments to the Rights Plan.

Rights Agent

Computershare Trust Company of Canada.

Rightsholder not a Shareholder

Until a Right is exercised, the holders thereof as such, will have no rights as a shareholder of the Corporation.

SECTION 9
APPENDIX D – RIGHTS PLAN RESOLUTION

"Be it resolved that:

1. The renewal of the shareholder protection rights plan agreement between the Corporation and Computershare Trust Company of Canada, as amended and restated from time to time (the "Rights Plan"), a summary of which is set forth in Appendix C to the accompanying proxy information circular, is hereby approved.

Any one officer or Director of the Corporation be and is hereby authorised and directed for and on behalf and in the name of the Corporation to execute, whether under the corporate seal of the Corporation or otherwise, and deliver all such documents and instruments, and to do or cause to be done all such other acts and things, as may be necessary or desirable to give effect to the foregoing.

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