



SECTION 25: CONFLICT MINERALS	Issued: May 24, 2018
	Supercedes: March 30, 2013

1.0 Purpose

Section 1502 (the Conflict Minerals Statutory Provision) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“**Rule**”) sets out the disclosure and reporting obligations in respect of the production or use of “Conflict Minerals” originating from the Democratic Republic of the Congo (“**DRC**”) or any adjoining country. This policy describes the compliance process that CAE will follow to meet these obligations.

1.1 Definitions

“**Conflict Mineral**” means (1) columbite-tantalite, also known as coltan (the metal ore from which tantalum is extracted); cassiterite (the metal ore from which tin is extracted); gold; wolframite (the metal ore from which tungsten is extracted); or their derivatives; or (2) any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the DRC or a Covered Country. The reporting requirements apply to these four minerals and their derivatives of tantalum, tin and tungsten.

“**Covered Country**” means the DRC and a country that shares a border with the DRC, which currently includes Angola, Burundi, Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia.

2.0 Roles & Responsibilities

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Global Strategic Sourcing (“GSS”) ensures CAE’s disclosures comply with the Rule. GSS shall ensure assessments of materials and parts, apply the procurement rules, and flow down the applicable requirements to all suppliers through purchasing terms and conditions.

Global Quality Assurance audits compliance to this policy.

Hardware Engineering controls the material requirements in the engineering documentation in accordance with this policy.

Finance is responsible for financial reporting in accordance with the Rule.

For initial assessments or when new business units are acquired, **Global Quality Assurance** will coordinate the implementation of processes related to this policy.



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Requirements of this policy apply to all CAE business units and products worldwide. All CAE business units purchasing materials & parts and/or fabricating, manufacturing, or subcontracting out hardware activities must assess their materials and parts to determine whether they are affected by the rules set out in this policy.

- 3.0 Policy
- 3.1 CAE shall not use Conflict Minerals originating from the Covered Countries in, or to produce, our products. All CAE employees should strive to achieve this result.
- 3.2 CAE will determine whether there are any Conflict Minerals that are necessary to the functionality or production of a product manufactured or contracted to be manufactured by CAE.
- 3.3 CAE will not specify or negotiate contractual terms with a manufacturer or other sub-component supplier so as to exercise a degree of influence over the manufacturing of the product to dictate the use of Conflict Minerals unless their use represents a special technique or requirement as deemed necessary by Hardware Engineering. Hardware Engineering must notify GSS each time it makes such a determination so that GSS is able to ensure the procurement then follows this policy. In such special cases GSS will ensure these Conflict Minerals are proven by our suppliers to have an origin outside the Covered Countries.
- 3.4 CAE must ensure our manufacturing limits the use of Conflict Minerals to applications where no substitute exists, and:
- (1) not intentionally include a Conflict Mineral in the product's production process, other than if it is included in a tool, machine or equipment used to produce the product (such as computers, power lines, drill machines & bits, soldering irons, welding electrodes, and hand tools);
 - (2) not include a Conflict Mineral in the product; and
 - (3) not necessitate the use of a Conflict Mineral to produce the product.
- 3.5 The Rule sets out a three-step analytic process to guide issuers through the applicable disclosure requirements further described below. Depending on the outcome of the analysis, CAE may have to submit a report to the SEC that includes a description of the



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measures it took to exercise due diligence on the Conflict Minerals' source and chain of custody.

- 3.6 Step 1: If CAE determines that its products do not involve or that it does not influence the use of Conflict Minerals after undertaking the analysis described above, CAE is not required to take any action, make any disclosure, or submit any reports under the Rule. CAE does not need to perform Steps 2 or 3. However, if CAE determines that it is subject to the Rule, it will have additional disclosure obligations and will need to proceed with the analysis in Step 2 to determine the nature and extent of its disclosure obligations.
- 3.7 Step 2: If CAE determines it is subject to the Rule, it must conduct a "reasonable country of origin inquiry" (RCOI) and thereafter file a Form SD. The RCOI is intended to determine whether the Conflict Minerals in the issuer's products originated from a Covered Country or from recycled or scrap sources.

CAE's RCOI process must be adapted to its facts and circumstances at hand and must be undertaken in "good faith". While the SEC does not prescribe the steps required for a RCOI, it notes that an issuer would satisfy the RCOI standard if it "seeks and obtains reasonably reliable representations indicating the facility which processed the Conflict Minerals and demonstrating that those Conflict Minerals did not originate in Covered Countries or were from recycled or scrap sources."

After conducting the RCOI, CAE must file a Form SD. The disclosures in the Form SD will vary depending on the findings of the RCOI. If, based on the RCOI, CAE (a) knows that its Conflict Minerals did **not** originate in the Covered Countries or did come from recycled or scrap sources, or (b) has no reason to believe that the Conflict Minerals may have originated in the Covered Countries and may not be from recycled or scrap sources, then CAE is required to file a Form SD, but it is not required to prepare or file the more detailed Conflict Minerals Report discussed below. The Form SD should (1) disclose CAE's determination; (2) describe the RCOI it undertook in reaching the determination and; (3) disclose the results of the inquiry. CAE is also required to make its description publicly available on its website and provide its URL in the Form SD. If CAE does not need to perform Step 3, skip to section 3.11.

If, however, based on its RCOI, CAE knows or has reason to believe that the Conflict Minerals (1) may have originated in the Covered Countries; and (2) may not be from recycled or scrap sources, then CAE must undertake "due diligence" in Step 3 on the source and chain of custody of its Conflict Minerals.



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- 3.8 Step 3: If, based on its RCOI discussed above in section 3.7, CAE determines that its Conflict Minerals did originate from a Covered Country or CAE has reason to believe that such minerals may have originated in a Covered Country and are not from recycled or scrap sources, it is required to file a Conflict Minerals Report with its Form SD.
- 3.9 The Conflict Minerals Report will include a description of the due diligence that the was undertook. The report does not have to identify the products as “DRC conflict undeterminable” or “not found to be ‘DRC conflict free,’” but should provide a description of the products containing Conflict Minerals originating from a Covered Country, disclose the facilities used to process the Conflict Minerals in those products, the country of origin of the Conflict Minerals in those products, and the efforts to determine the mine or location of origin with the greatest possible specificity. The Conflict Minerals Report must be audited (note, however, that the requirement of such an audit has been stayed based on current SEC guidance, except if CAE elects to describe its products as “DRC conflict-free” in its Conflicts Minerals Report).
- 3.11 Reporting on a Form SD is based on a calendar year. If CAE uses Conflict Minerals necessary to the functionality or production of a product it manufactures or contract to be manufactured, it is required to file a Form SD by May 31 of each year, reporting on all products completed in the preceding calendar year.
- 3.12 CAE must make its Conflict Minerals disclosure or its Conflict Minerals Report available on its website for one year.



Corporate Policies and Procedures

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POLICY GOVERNANCE

Policy Details

Primary Contact	Mark Hounsell
Required Executive Approvals	Chief Financial Officer General Counsel, Chief Compliance Officer & Corporate Secretary
Board/Committee Approvals	Audit Committee
Review Cycle	Every second year

Revision History

Date	Changed by	Description
April 30, 2018	Mark Hounsell	Review
March 30, 2013	Hartland Patterson	Policy creation