



March 28, 2018

CAE Tax Strategy

In this report, we, us, our, CAE and Company refer to CAE Inc. and its subsidiaries.

The Company is publishing its tax strategy for the year ending 31 March 2017. As the ultimate parent, we confirm that this strategy applies to CAE Inc. and its subsidiaries.

Approach to risk management and governance arrangements

Our tax affairs are transparent and compliant with tax legislation and practices. Compliance means paying the required amount of tax in the appropriate jurisdictions and in the proper periods, disclosing all relevant facts and circumstances to the tax authorities and claiming relief and incentives where available.

Our approach to compliance includes reference to the Organisation for Economic Co-operation and Development (OECD) principles including, but not limited to transfer pricing compliance.

We monitor our tax obligations by seeking external tax advice and by ensuring that our tax professionals are knowledgeable and tax proficient.

CAE's Board of Directors provides oversight of the Company's risk management, including tax compliance and tax risk. The Board executes its oversight function both as a whole and through delegation to its committees. Management is responsible for administering and governing tax risk.

Attitude towards tax planning

CAE manages its tax affairs in a proactive manner that seeks to maximise shareholder value, that supports its business strategy and that reflects the commercial and economic activities of CAE, while complying with tax laws and regulations in the jurisdictions in which it operates.

CAE complies with all tax rules and regulations worldwide. CAE considers the tax consequences of significant transactions before executing them and its tax professionals consult with external advisors on the tax implications and risks of potential transactions.

CAE's Code of Business Conduct and Corporate Policies & Procedures establish how CAE employees are expected to operate with respect to tax matters. We do not enter into arrangements with the intention to defeat the stated purpose of the legislation of any country in which we operate.

We have a responsibility to minimise our tax risk and our exposure to negative publicity that would arise through non-compliance. Any planning is subject to robust review and internal processes. Tax planning supports genuine commercial activity and is structured in such a way that the tax results are not inconsistent with the underlying economic consequences.

Level of tax risk accepted by the Group

Compliance with tax legislation is key to managing our tax risk. Given the scale of our business and volume of tax obligations, risks will inevitably arise from time to time in relation to the interpretation of tax law and the nature of our compliance arrangements. Tax risk is monitored and evaluated regularly and is in line with CAE guidelines.

We take a responsible approach to managing our tax affairs; we ensure that we comply and understand our responsibilities applicable to tax laws and regulation supported by strong internal processes and by seeking expert third-party advice on special areas of tax where there is significant risk or uncertainty.

The commercial needs of CAE are central to our business decisions and our tax professionals work with the business to provide clear, timely and relevant advice across all aspects of tax to identify and mitigate tax risk. The importance of the commercial needs will not override compliance with applicable laws. The tax function will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of the tax consequences.

Our approach to tax risks is aligned with the same principles that apply to all other business risks. We consider reputational, operational and corporate social responsibility as well as the financial impacts.

Approach to dealing with tax authorities

CAE values having open, transparent and professional relations with tax authorities that are constructive and based on mutual respect and recognises that the early resolution of risks is in everyone's best interest. CAE works in collaboration with tax authorities to resolve disputed matters.

We aim to prevent unnecessary disputes by having strong technical tax positions, clearly explaining our positions, documenting the facts, establishing good working relationships with tax authorities and implementing strong compliance procedures to ensure accurate and complete tax returns.

UK content

This document is intended to satisfy the reporting obligations of Schedule 19 of the UK Finance Act 2016. It applies to CAE Holdings PLC and its UK subsidiaries.